



SMU

SINGAPORE MANAGEMENT
UNIVERSITY

A wide-angle photograph of the Singapore skyline, featuring numerous skyscrapers under a clear blue sky. In the foreground, the modern, multi-story SMU campus buildings are visible, characterized by their green-tinted glass facades and curved architectural elements. The image is partially overlaid by a dark blue diagonal shape on the right side.

XXIX INFORMS

Marketing Science Conference

Singapore

June 28 – 30, 2007

informs® *Institute for Operations Research
and the Management Sciences*

INFORMS Marketing Science Conference Vancouver, June 12 - 14, 2008



The Sauder School of Business at the University of British Columbia is proud to host the 2008 INFORMS Society for Marketing Science Conference. Join us in Vancouver, Canada from June 12 - 14 at the Sheraton Wall Centre Hotel.

Conference website: www.marketscience2008.sauder.ubc.ca

www.sauder.ubc.ca



Opening Worlds

CHRONOLOGY OF THE MARKETING SCIENCE CONFERENCE AND CHAIRPERSONS

1979	Stanford David B. Montgomery / Dick Wittink	1996	Florida Steven Shugan / Barton Weitz
1980	Texas - Austin Robert Leone	1997	UC Berkeley Tulin Erdem / Miguel Villas-Boas / Russell Winer
1981	NYU John Keon	1998	INSEAD Erin Anderson / Hubert Gatignon
1982	Wharton Vijay Mahajan / Yoram Wind	1999	Syracuse Amiya Basu / T. Mazumdar / S.P. Raj
1983	USC Fred Zufreyden	2000	UCLA Randolph Bucklin / Donald Morrison
1984	Chicago Steven Shugan	2001	Mainz Oliver Heil
1985	Vanderbilt Russell Winer / Alan Shocker	2002	Edmonton, Alberta Peter T.L. Popkowski Leszczyc
1986	Texas - Dallas Ram Rao	2003	Maryland Brian Ratchford / Roland Rust / Venky Shankar
1987	HEC Dominique Hanssens / Gilles Laurant	2004	Erasmus University, Rotterdam Stefan Stremersch
1988	Washington Allan Shocker / Robert Jacobson	2005	Emory Sundar Bharadwaj / Douglas Bowman / Sandy Jap
1989	Duke John McCann / Richard Staelin	2006	Pittsburgh Rabi Chatterjee / Jeff Inman / R. Venkatesh
1990	Illinois S. Sudharshan	2007	Singapore Management University Sundar Bharadwaj / Jin K. Han / David B. Montgomery / Chin Tiong Tan
1991	Delaware Ajay Manrai / John Frey	2008	University of British Columbia Charles Weinburg
1992	LBS Mark Uncles / Gerald Goodhardt	2009	Michigan Eugene Anderson / Fred Feinberg
1993	Washington Univ. Saint Louis Chakravarti Narasimhan		
1994	Arizona Dipankar Chakravarthi / Ambar Rao		
1995	New South Wales John Roberts / Pamela Morrison		

INFORMS SOCIETY ON MARKETING SCIENCE

Institute of Operations Research and Management Sciences (INFORMS) is an international, not-for-profit scientific society with 10,000 members, including Nobel laureates, dedicated to applying scientific methods to help improve decision-making, management, and operations. The Marketing Science Conference falls under the auspices of the INFORMS Society for Marketing Science (SMS) sub-branch whose major purpose is to foster the development, dissemination, and implementation of knowledge, basic and applied-research, and science and technologies that improve the understanding and practice of marketing.

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2007 INFORMS MARKETING SCIENCE CONFERENCE

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South Korea (con't)

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WELCOME TO MARKETING SCIENCE 2007 AND SINGAPORE MANAGEMENT UNIVERSITY

The conference co-chairpersons, the Conference Advisory Board, the staff of the Center for Marketing Excellence, and the Marketing faculty of Singapore Management University welcome you to Marketing Science XXIX, June 28 – 30, 2007. We know you will enjoy a great conference and we also hope you'll have an opportunity to sample the many wonders of Singapore and the region. Singapore is legendary for its wonderful restaurants, excellent public transportation, and delights such as China Town, Little India, Arab Street, a world class zoo (both day and night safaris available), Jurong Bird Park, and the island of Sentosa, to name a few.

Please consult this guide for information on the location and schedule of sessions (especially your own) and for the various special events such as the Thursday reception, breakfasts, lunches, and the gala Friday night awards banquet. Please remember to bring your identification badge in order to enter the Business School Building.

The SMU Marketing faculty, the SMU staff, and SMU student assistants will be helpful in providing guidance to events and locations. Just ask.

This is the first time that Marketing Science has been held in Asia and SMU is proud to host this special event. It is also the first time for the conference to be hosted by a university less than eight years old. Perhaps it might be of interest to examine a bit of the history of SMU. Below we have quoted from a recruiting letter which Jin and Dave sent to many of you back in 2003, introducing SMU and seeking potential faculty suggestions.

"What university numbers on its staff the founding editor of Journal of Consumer Research, the first Departmental Editor for Marketing at Management Science, the co-founder of the INFORMS Marketing College, the co-chairperson of the first ACR International Conference, the co-chairperson of the first AMA International Conference, the co-chairperson of the first Marketing Science Conference, a co-author of the Asian Perspective edition of the fundamental Kotler marketing text, and the authors or editors of over thirty books and monographs on marketing? It's Singapore Management University (SMU), the dynamic new upstart university in Singapore that is raising the bar on standards of excellence in research and teaching within Asia and the global community."

In the subsequent years SMU has delivered fairly well on the hype (and at the time hope). SMU received a US\$130 million grant in 2004 and the School of Business was named after the founder of the Overseas Chinese Bank Corporation, Lee Kong Chian, whose foundation provided the impetus for the grant with the participation of the Singapore Government. In 2005, the students at the then five year old university won international competitions in Paris and at Ohio State in the US and were runners up in competitions in Hong Kong and Bangkok. The faculty now numbers about 100 and attracts over seventy percent of Singapore Business undergraduates admitted to all three universities.

In 2005 the School moved into the modern facility in which the conference will be held. The month after moving in the School hosted the first Marketing Science Institute Conference in Asia. Research is beginning to come to fruition as well. In 2006 five different junior marketing faculty won acceptance in top tier marketing journals (JMR, JCR, JM). In that same year, the SMU Finance faculty gained acceptance in the top four Finance journals at a rate which would have ranked them tied for eighth in the world in 2005. Other areas such as OB and Operations Management have also produced at world standard levels. SMU has been privileged to receive many of you as visitors, especially from Wharton which has assisted SMU from its foundation.

We hope these brief comments will provide a glimpse into the phenomenon which is SMU beyond the wonderful bricks and mortar given by the Singapore government.

Jin K. Han, Sundar Bharadwaj, David B. Montgomery, and Chin Tiong Tan
Co-Chairpersons

About Singapore

Singapore has a population of about 4 million people, comprising 77% Chinese, 14% Malays, 8% Indians and 1% Eurasians and people of other descent. The local culture is fascinatingly diverse and vibrant, and there are lots to do and see during your trip here.

Famous Tourist Attractions

A trip to Singapore would not be complete without visiting her renowned attractions. Here are some of the best attractions in town:

Attraction	Location	Contact No.
Asian Civilisations Museum	Empress Place	6332 7798
Botanic Gardens	Cluny Road	6471 7361
Cable Car	Maritime Square	6270 8855
Chinatown	Telok Ayer Street	N.A.
Geylang Serai	Geylang Road	N.A.
Chinese & Japanese Gardens	Yuan Ching Road	6261 3632
Kampong Glam	Arab Street	6391 0450
Little India	Serangoon Road	N.A.
Jurong BirdPark	Pasir Panjang	6872 2780
MINT Museum of Toys	Seah Street	6339 0660
Night Safari/ Singapore Zoo	Mandai Lake Road	6269 3411
Raffles Hotel	Beach Road	6337 1886
Science Centre	Jurong	6425 2500
Sentosa	Sentosa Island	6275 0388
Singapore Art Museum	Bras Basah Road	6332 3222
Singapore Discovery Centre	Upper Jurong Road	6792 6188
Underwater World	Sentosa Island	6275 0030

Language

There are four official languages in Singapore, they are namely: English, Mandarin, Malay and Tamil. English is the language of business and administration, and is most widely spoken among the locals.

Weather

Singapore has a tropical climate with temperatures ranging from a maximum of 32 to 24 degrees Celsius. Rain falls frequently all year round.

Currency

At the time of printing, 1 US Dollar (USD) is approximately equivalent to 1.53 Singapore Dollar (S\$).

Local Events

Singapore Food Festival

This festival celebrates a nationwide obsession for good food with a whole plethora of activities, promotions, and food fairs. For more information, please visit www.singaporefoodfestival.com

Great Singapore Sale

A mammoth annual sale event involving most major shopping malls and retailers. Tourists get to enjoy special privileges with the Tourist Privilege Card which comes together with the Great Singapore Sale Tourist Guide. Visit <http://www.greatsingaporesale.com.sg/> for more details or call the toll-free 24-Hour Tourist-line: 1800 736 2000 (in Singapore only)

Late Night Shopping at Orchard Road

Singapore's most famous shopping district is open till midnight on every last Friday of the month. The next one falls on 29 June. Public transport hours would be also extended so that shoppers may shop to their heart's content.

Summary Schedule

Thursday, June 28	Breakfast & Registration (7.30am – 8.30am) TA (8.30am – 10.00am) Break (10.00am – 10.30am) TB (10.30am – 12noon) Lunch - Campus Green & T-Junction Concourse (12noon – 1.30pm) TC (1.30pm – 3.00pm) Break (3.00pm – 3.30pm) TD (3.30pm – 5.00pm) 5.45pm – Walk to Campus Green for Conference Reception
Friday, June 29	Breakfast & Registration (7.30am – 8.30am) FA (8.30am – 10.00am) Break (10.00am – 10.30am) FB (10.30am – 12noon) Lunch - Campus Green & T-Junction Concourse (12noon – 1.30pm) FC (1.30pm – 3.00pm) Break (3.00pm – 3.30pm) FD (3.30pm – 5.00pm) 5.45pm – Walk to Swissotel for Friday Evening Awards Banquet
Saturday, June 30	Breakfast (7.30am – 8.30am) SA (8.30am – 10.00am) Break (10.00am – 10.30am) SB (10.30am – 12noon)

Important Information for session chairs, speakers, and participants

To speakers:

All seminar rooms are equipped with a desktop PC with a USB port and a visualiser for transparencies or normal paper. Please plan on using PowerPoint or Adobe Acrobat. Bring your presentation in a thumb-drive for easy loading. Please arrive 20 minutes prior to your session at your designated seminar room to load your presentation onto the desktop. A student helper will be there to assist you.

If your session has 3 presentations in 90 minutes, please plan to use 30 minutes for your presentation. If your session has 4 presentations, please plan to use 22 minutes. The above duration includes Q&A.

To session chairs:

The chair is noted in the program, usually an author on the final paper in the session. Please keep the session on time. There are 3 cards indicating "5 minutes left", "2 minutes left", and "Zero minute left" available for your use.

Sub-Events for Marketing Science 2007

Thursday Conference Reception

Thursday, June 28, 6pm – 8pm
Campus Green

5.45pm – Gather at Lee Kong Chian School of Business (LKCSB) Level 1

5.50pm – Walk to Campus Green

6.00pm – Conference reception begins

Program:

- Lion Dance
- Samba Masala
- String Quartet

8.00pm – Conference reception ends

Friday Evening Awards Banquet

Friday, June 29, 6pm – 9.30pm (*Program time may vary*)
Swissotel, Canning and Padang Rooms

5.45pm – Gather at LKCSB Level 1

5.50pm – Walk to Swissotel

6.15pm – Cocktail reception starts for an hour

7.15pm – Guests to begin seating

7.30pm – Awards Program starts

Program:

- Welcome, Singapore Management University
- Welcome, State of the Society, Awards
- Frank M. Bass Dissertation Paper Award
- John D.C. Little Best Paper Award
- 2007 Conference Highlights
- Preview of the 2008 Conference (UBC)
- Preview of the 2009 Conference (Michigan)

8.15pm – Dinner serves

9.30pm – Awards Banquet ends

SMU Tours by Ambassadors of SMU (Optional)

LKCSB Level 1

Wednesday, June 27, 5.00pm – 7.00pm

5.00pm – 10-minute tours of LKCSB Level 5, from 5.00pm – 6.00pm

6.00pm – Full tour of SMU, from 6.00pm – 6.45pm

Thursday, June 28, 5.00pm – 7.00pm

5.00pm – Full tour of SMU

6.00pm – Full tour of SMU

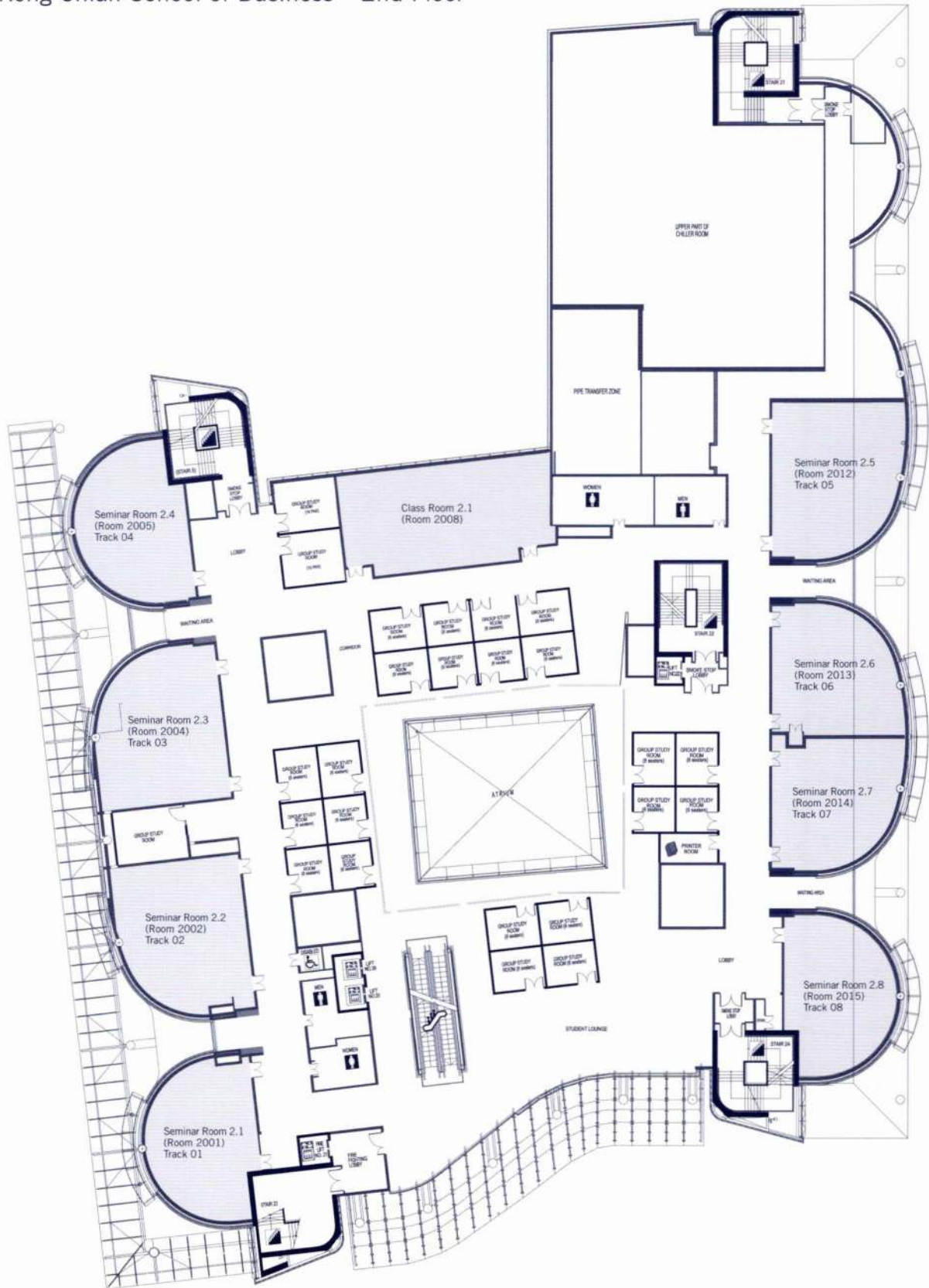
Please sign up at the LKCSB Level 1 registration desk if you are interested.

Map of Singapore Management University



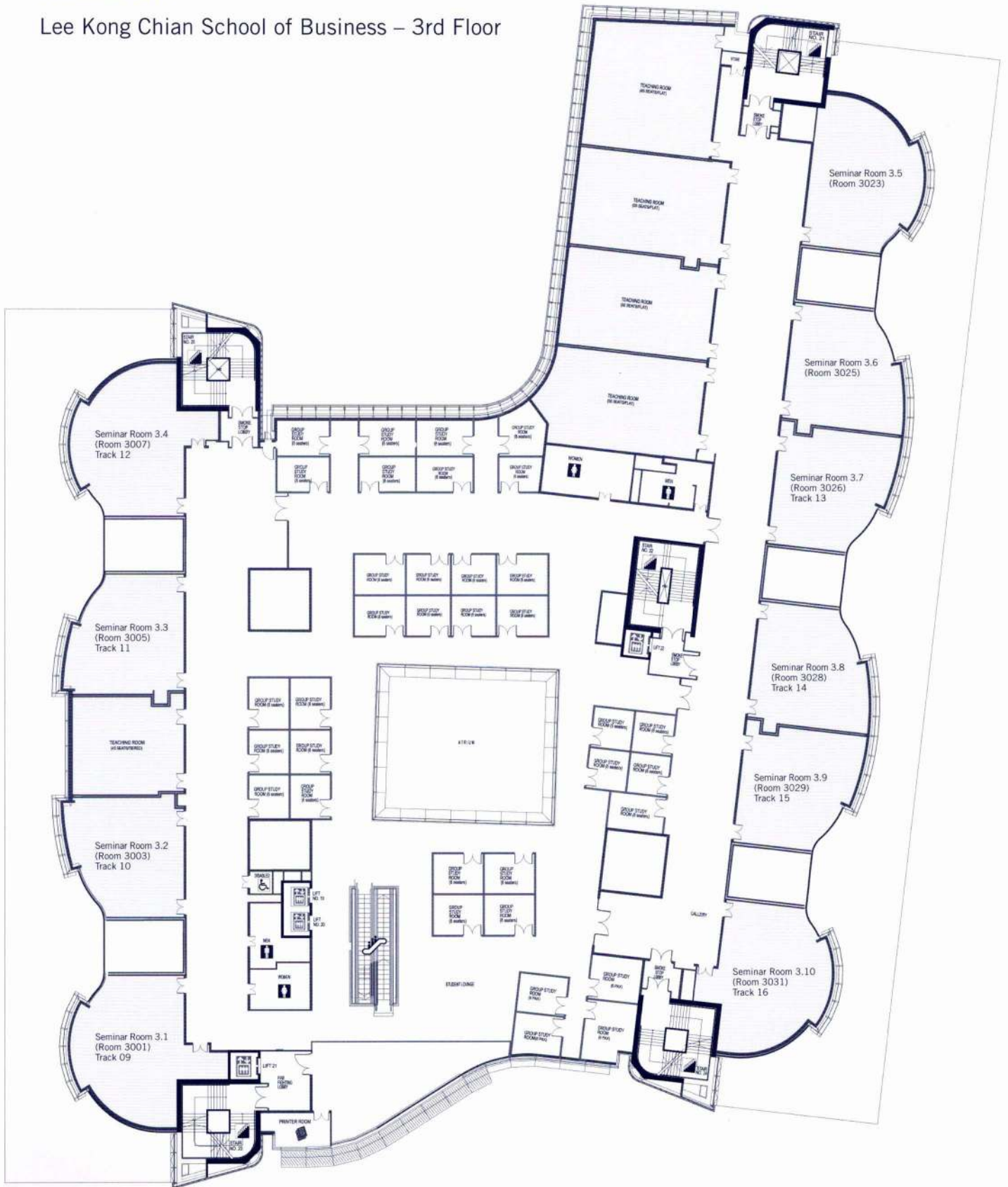
FLOORPLAN

Lee Kong Chian School of Business – 2nd Floor



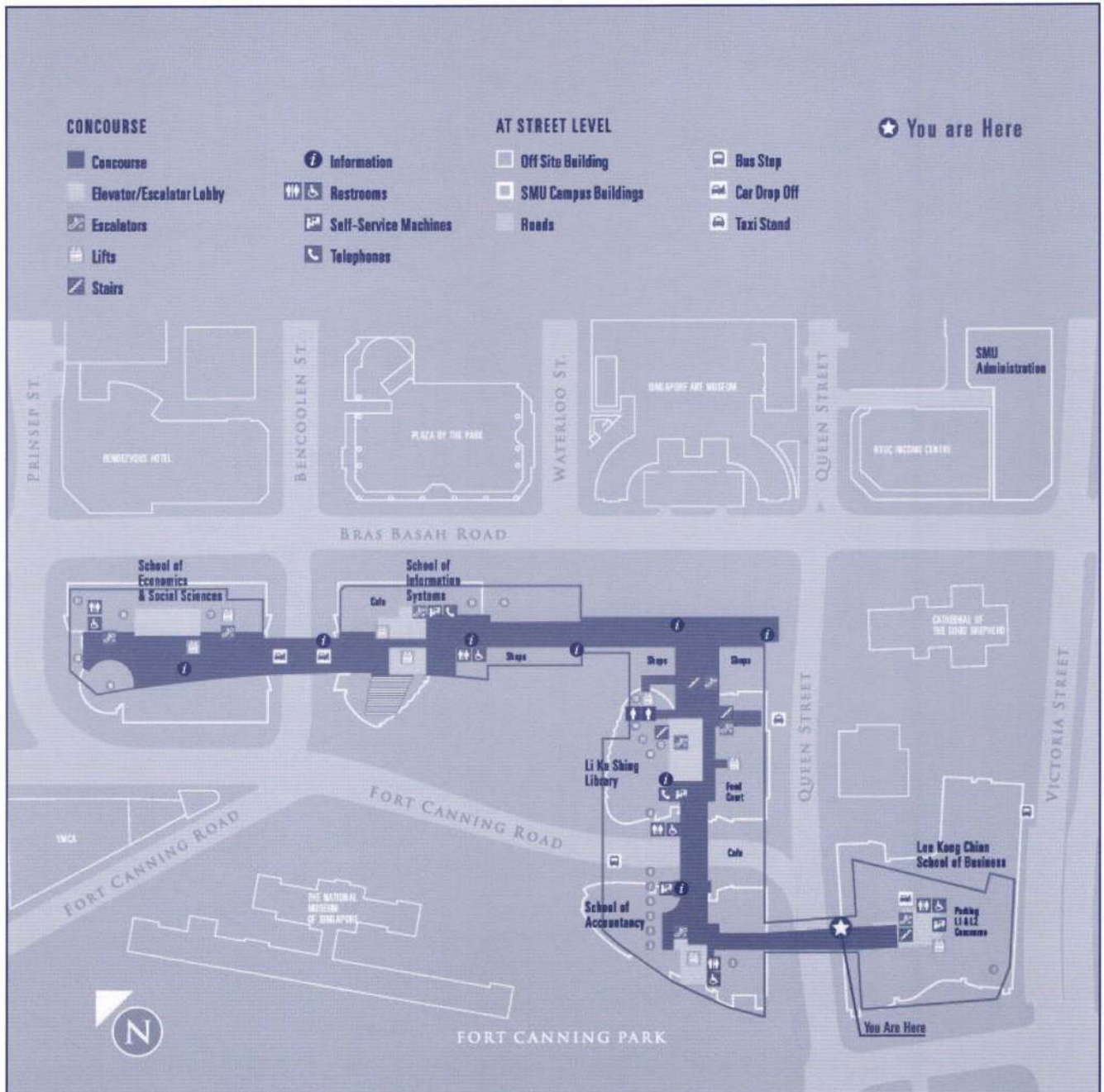
FLOORPLAN

Lee Kong Chian School of Business – 3rd Floor



Concourse Level

Orientation Map



Directions to Campus Green/ T-junction for Thursday & Friday Lunch

At LKCSB L1, Atrium

1. Go down the escalator to concourse.
2. Follow through the concourse towards library until you see the food court Kopitiam on your right.

3a. To Campus Green

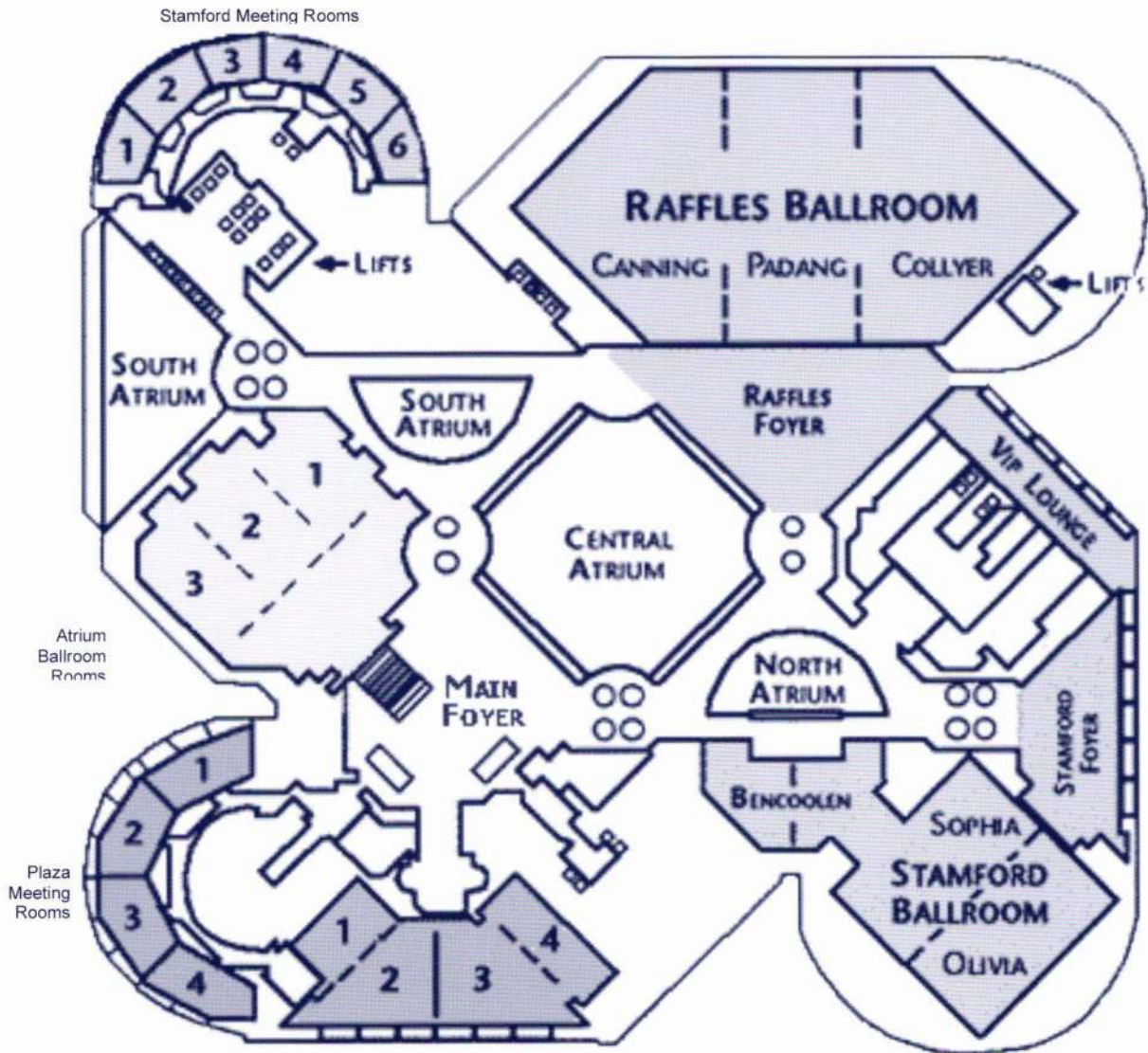
Take the escalator up to the ground floor. Turn right, go past the "Pick and Bite" eatery and you will see Campus Green.

3b. To T-Junction

Continue through the concourse for another 70 – 80m until you see the escalator besides Watsons. Go down the escalator to T-Junction.

Raffles City

Convention Centre



Stamford Meeting Rooms	Atrium Ballroom Rooms	Plaza Meeting Rooms	Executive Conference Center (ECC) & Other Rooms
1. Clark	1. Moor	1. Enterprise	1. Orchard
2. Ord	2. Morrison	2. Mercury	2. Wilberforce (ECC)
3. Blundell	3. Hullet	3. Minto	3. Bailey (ECC)
4. Butterworth		4. Indiana	4. Bras Basah
5. Bonham			
6. Fullerton			

Marketing Science Conference – 2007

Thursday, June 28, 2007 8:30-10:00am (Session TA)

<p>TA01 To the Memory of Frank Bass</p>	<p>TA02 Implicit and Explicit Memory</p>	<p>TA03 Pharmaceutical Marketing I</p>	<p>TA04 Decision Research I - Prospect Theory</p>
<p>Seminar Room 2.1 (Rm 2001)</p> <p><i>Chair: Eitan Muller</i></p> <p>Innovation Diffusion and New Product Growth: Beyond a Theory of Communications <i>Renana Peres, Eitan Muller, Vijay Mahajan</i></p> <p>Assessing the Impact of Pre-Paid Services on the Diffusion of Mobile Telephony <i>Jorge Gonzalez, Naufel Vilcassim</i></p> <p>Cross-Country Effects of New Product Takeoff <i>Dennis Fok, Stefan Stremersch, Yvonne van Everdingen</i></p> <p>Analyzing the Diffusion of Two Interacting Products <i>Nitin Bakshi, Christophe Van den Bulte, Kartik Hosanagar</i></p>	<p>Seminar Room 2.2 (Rm 2002)</p> <p><i>Chair: Melanie Dempsey</i></p> <p>Consumer Hypocrisy in Ethical Decision Contexts: Exposing the Discrepancy Between Explicitly Stated and Privately-Held Beliefs About the Ethicality-Functionality Relationship <i>Raj Raghunathan, Michael Luchs, Julie Irwin, Rebecca Naylor</i></p> <p>Consumer Conviction and the Intention-Behavior Link <i>Murali Chandrashekar, Kristin Rotte, Frank Kardes, Maria Cronley</i></p> <p>Memory Reconstruction and Consumer Choice <i>Dipankar Chakravarti, Qiuping LI</i></p> <p>Interactions between Nonconscious Affect and Cognitions – The Effect on Explicit Attitudes <i>Melanie Dempsey, Andrew A. Mitchell</i></p>	<p>Seminar Room 2.3 (Rm 2004)</p> <p><i>Chair: Christoph Thiesen</i></p> <p>Gender Differences in Consumer's Response To DTC Advertisements <i>Sahana Sen</i></p> <p>Regulatory Exposure of Deceptive Marketing and its Impact on Firm Value <i>Martha Myslinski, Sundar Bharadwaj, Diana Robertson</i></p> <p>A Model of Interaction between Detailing and Direct-To-Consumer Advertising in the Prescription Pharmacy <i>Pradeep Bhardwaj, Ram Bala</i></p> <p>Pharmacoeconomic Evaluation - A Market Barrier for Drug Innovations in Germany <i>Christoph Thiesen</i></p>	<p>Seminar Room 2.4 (Rm 2005)</p> <p><i>Chair: Rong Chen</i></p> <p>The Silver Lining Effect: Formal Model and Experiments <i>Peter Jarnebrant, Eric Johnson, Olivier Toubia</i></p> <p>Discrete Outcomes and Flat Zones in Value Functions <i>Carlos Mireles</i></p> <p>Weighting of Small Probabilities and Promotional Design <i>Rong Chen</i></p>
<p>TA05 Adoption in the Digital Domain</p> <p>Seminar Room 2.5 (Rm 2012)</p> <p><i>Chair: Johanna Lengauer</i></p> <p>Technology Acceptance of Digital Games – Model Development and Comparison of Different Age Groups <i>Vivien Dollinger, Ralf Reichwald, Melanie Müller</i></p> <p>Determinants of Customer Acceptance of High-Tech Products: Applying the Technology Acceptance Model <i>Hyun Jung Lee, Jea Hyeon Pae</i></p> <p>Upgrade Adoption of Information-Technology Products: Accelerated Failure Time Models <i>Chi-Tsun Huang, Chao-Min Hsu, Clyde Warden, James Stanworth</i></p> <p>Value Dimensions as Antecedents of Mobile Service Adoption and the Moderating Role of Ubiquity <i>Johanna Lengauer, Astrid Dickinger</i></p>	<p>TA06 Price Promotion I</p> <p>Seminar Room 2.6 (Rm 2013)</p> <p><i>Chair: Michael Knaf</i></p> <p>A Schema Theory Approach to Cooperative Promotions <i>Hurrem Yilmaz</i></p> <p>Evaluating Personalized Promotions in a Retail Environment <i>Tarun Bhaskar, Debasis Bal, Gopi Subramanian, Angshuman Saha</i></p> <p>Jealousy and Betrayal Effects of Targeted Promotions – What Drives How Much We Care What Others Get <i>Michael Knaf, Kristina Klein, Karen Gedenk</i></p>	<p>TA07 Loyalty Programs I</p> <p>Seminar Room 2.7 (Rm 2014)</p> <p><i>Chair: Praveen Kopalle</i></p> <p>Linking Loyalty to Financial Measures in a B2B Market <i>Paulo Costa, Anu Ranganath</i></p> <p>A Dynamic Structural Model of the Impact of Loyalty Programs on Customer Behavior <i>Praveen Kopalle, Scott Neslin, Baohong Sun, Vanitha Swaminathan, Yacheng Sun</i></p>	<p>TA08 Innovation Adoption</p> <p>Seminar Room 2.8 (Rm 2015)</p> <p><i>Chair: Sangman Han</i></p> <p>Reference Accounts <i>David Godes</i></p> <p>The Influence of Contextual Factors on Perceived Usability of Mobile Human-Computer Interactions <i>Margherita Pagani</i></p> <p>The Role of Consumer Hubs in Adoption Processes <i>Sangman Han, Donald Lehmann, Jacob Goldenberg, Jae Weon Hong</i></p>

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Thursday, June 28, 2007 8:30-10:00am (Session TA)

TA09	TA10	TA11	TA12
<p>Choice – Methodology I</p> <p>Seminar Room 3.1 (Rm 3001)</p> <p><i>Chair: Sangkil Moon</i></p> <p>Estimating Preference Distributions From Models of Individual Decision Makers <i>Towhidul Islam, Jordan Louviere, Paul Burke</i></p> <p>The Generalized Multinomial Logit Model <i>Michael Keane, Jordan Louviere, Denzil Fiebig, Nada Wasi</i></p> <p>Modeling Level Changes in Dynamic Variety Seeking: Multinomial Probit Hidden Markov Brand Choice Model <i>Sangkil Moon</i></p>	<p>Retailing Space & Location</p> <p>Seminar Room 3.2 (Rm 3003)</p> <p><i>Chair: Robert Krider</i></p> <p>A Spatial-Lag Random-Effects Hierarchical Model for Store Location Evaluation and Choice <i>Auke Hunneman, Tammo Bijmolt, Paul Elhorst</i></p> <p>Modeling the Purchasing Spatial Behavior in the Hierarchical Structured Shopping Complex <i>Kayoko Fukasawa</i></p> <p>Perceived Agglomeration Benefits and Consumer Choice of Shopping Destination <i>Harmen Oppewal, Sean Sands</i></p> <p>Empirical Study of Homogeneous Retailer Agglomeration <i>Robert Krider, Daniel Putler, Tirtha Dhar, Jose Mora</i></p>	<p>Pricing I – Willingness to Pay</p> <p>Seminar Room 3.3 (Rm 3005)</p> <p><i>Chair: Agnieszka Wolk</i></p> <p>Optimal Nonlinear Pricing in Two-Sided Trade Show Markets <i>Frauke Hagemeister, Karen Gedenk</i></p> <p>Retail Competition and the Dynamics of Consumer Demand for Tied Goods <i>Wesley Hartmann, Harikesh Nair</i></p> <p>An Empirical Comparison of Different Methods to Estimate Willingness-to-Pay Functions <i>Agnieszka Wolk, Christian Schlereth, Bernd Skiera</i></p>	<p>Brand Strategy: Convergence, Alliance and Licensing</p> <p>Seminar Room 3.4 (Rm 3007)</p> <p><i>Chair: Dae Ryun Chang</i></p> <p>The Impact of Brand Licensing on Licensor Financial Performance: A Contingency Model <i>Adina Barbulescu, Ajay Kohli</i></p> <p>How Do Consumers Change Their Preference in Co-branding? – The Cognition from Theoretical and Empirical Studies <i>Chia-lin Lee, Reinhold Decker</i></p> <p>A Study on the Integration of Brands in Situations of Technological Convergence <i>Dae Ryun Chang, Siegfried Numberger</i></p>
<p>TA13</p> <p>Bayesian Methodologies</p> <p>Seminar Room 3.7 (Rm 3026)</p> <p><i>Chair: Glenn Mayhew</i></p> <p>Optimal Sequential Targeting of Customers: The Value of Information <i>Shameek Sinha, Frenkel Ter Hofstede</i></p> <p>Scaling Response Parameters: A Multivariate Probit Approach <i>Sri Devi Duvvuri, Minakshi Trivedi</i></p> <p>Capturing Heterogeneity in Secondary Drivers of Choice <i>Glenn Mayhew</i></p>	<p>TA14</p> <p>Advertising Strategy</p> <p>Seminar Room 3.8 (Rm 3028)</p> <p><i>Chair: Sharon Horsky</i></p> <p>Shotgun or Focused Advertising – Which is Better? <i>Bharat Sud, Robert Fisher, Kersi Antia</i></p> <p>Modeling of Advertising Effectiveness with High Frequency Data <i>Marcel Weverbergh, Meltem Kiygi Calli</i></p> <p>Interaction Effects between TV Advertising and Price Promotions <i>Hiroshi Onishi</i></p> <p>Inter-Industry Variation In The Internalization of Advertising Services <i>Sharon Horsky, Alvin Silk, Steven Michael</i></p>	<p>TA15</p> <p>CRM and CLV</p> <p>Seminar Room 3.9 (Rm 3029)</p> <p><i>Chair: George Knox</i></p> <p>Effectiveness of Customer Relationship Management on Customer Behavior and Customer Satisfaction in the Internet Banking of Taiwan: A Conceptual Model <i>Hui-I Yao, Der Chao Chen, Kok -Wei Khong</i></p> <p>A Bivariate Timing Model of Customer Acquisition and Retention <i>David Schweidel, Eric Bradlow, Peter Fader</i></p> <p>Diagnosing and Predicting Individual Customer Defection in a Contractual Setting <i>George Knox, Jeongwen Chiang, Josh Eliashberg, Andre Bonfrer</i></p>	<p>TA16</p> <p>Diffusion of Innovation & Social Influence</p> <p>Seminar Room 3.10 (Rm3031)</p> <p><i>Chair: David Bell</i></p> <p>The Impact of Social Contagion on What to Buy, How to Buy and Whom to Buy From: A Disaggregate Model <i>Rakesh Niraj, Ramkumar Janakiraman</i></p> <p>Joining the Network: Personal Influences as Determinants of Diffusion <i>Peter Pal Zubcsek, Zsolt Katona</i></p> <p>Security Technology Diffusion with Promoters, Imitators, and Privacy Advocators <i>Nan Hu, YingJiu Li, Dan Ma</i></p> <p>Social Emulation Over Space and Time: The Effect on New Trials of an Online Grocery Retailer <i>David Bell, Sam Hui, JeongHye Choi</i></p>

Marketing Science Conference – 2007

Thursday, June 28, 2007 10:30-12:00pm (Session TB)

<p>TB01 Meet the Editors 1</p>	<p>TB02 International Marketing I</p>	<p>TB03 Pharmaceutical Marketing II</p>	<p>TB04 Decision Research II – Vice and Virtue Products: Regret & Self Control</p>
<p>Seminar Room 2.1 (Rm 2001)</p> <p>Journal of Marketing Research (Teck Ho)</p> <p>Journal of Services research (A.Parasuraman)</p> <p>Journal of Marketing (Roland T.Rust)</p> <p>Journal of Consumer Research (Tulin Erdem)</p>	<p>Seminar Room 2.2 (Rm 2002)</p> <p>Chair: Cathy Chen</p> <p>Counter Mainstream Chinese Retailing Psychology: The Case of Xian Jing <i>Judy Chen, Clyde Warden</i></p> <p>Affection and Animosity in the Purchase of Foreign Products in Korea <i>Doyle Kim, Richard Meaders, Dongchul Han</i></p> <p>Further Investigation of Nation Equity: The Effect of Country-related Emotions on Country-of-Origin <i>Cathy Chen</i></p>	<p>Seminar Room 2.3 (Rm 2004)</p> <p>Chair: Martha Wosinska</p> <p>Incentive for Information Sharing in the Pharmaceutical Industry <i>S. Chan Choi</i></p> <p>Medicaid Influence in the Drug Market <i>Franklin Carter, Dana Costea</i></p> <p>Prescription Drug Compliance and Pharmacy Channels: Self-Selection or Channel Effect? <i>Marta Wosinska</i></p>	<p>Seminar Room 2.4 (Rm 2005)</p> <p>Chair: AjayKalra</p> <p>The Role of Justifications in Consumer Self-Control Choices <i>Yuhuang Zheng, Ran Kivetz</i></p> <p>Bidders' Regret in Consumer Auctions <i>Sucharita Chandran, Shuili Du, Lisa Abendroth</i></p> <p>The Size of Consideration Set on Regret <i>Ping Zhao, Rong Chen, Song Su,</i></p> <p>How Purchase Behavior Differs for Vice and Virtue Products <i>Ajay Kalra, Sameer Mathur, Darron Billeter</i></p>
<p>TB05 Word-of-Mouth in e-Marketing</p> <p>Seminar Room 2.5 (Rm 2012)</p> <p>Chair: Luming Wang</p> <p>Blogs as Credible Word of Mouth? <i>Mark Elsner, Oliver Heil</i></p> <p>On the Impact of Recommendation Systems on the Diversity of Products Purchased by Consumers <i>Kartik Hosanagar, Daniel Fleder</i></p> <p>Structural Determinants of the Recommendation of Online Services <i>Luming Wang, Adam Finn, Tema Frank</i></p>	<p>TB06 Price Promotion II</p> <p>Seminar Room 2.6 (Rm 2013)</p> <p>Chair: Jianmin Jia</p> <p>Gifts vs. Coupons: Do Consumers Know Their True Preference? <i>Alison Jing Xu, A.V. Muthukrishnan</i></p> <p>Mail-in Rebate Promotions: Time Inconsistent Preferences or Price-Discrimination? <i>Kissan Joseph, Beom Joon Choi, James Lemieux</i></p> <p>When Lucky Draws are More Attractive than Coupons? <i>Jianmin Jia, Liaogang Hao, Chongyan Gao</i></p>	<p>TB07 Loyalty Programs II</p> <p>Seminar Room 2.7 (Rm 2014)</p> <p>Chair: Jessica Kwong</p> <p>Loyalty Card Program Service Quality (PSQ): Scale Development and Validation <i>Nor Asiah Omar, Rosidah Musa</i></p> <p>Processing Fluency and the Decision to Spend Loyalty Program Points <i>Jessica Kwong, Dilip Soman</i></p>	<p>TB08 Order of Entry and Innovation</p> <p>Seminar Room 2.8 (Rm 2015)</p> <p>Chair: Wooseong Kang</p> <p>Decomposing Pioneer Survival: Implications for the Order-of-Entry Effect <i>Qi Wang, Jinhong Xie</i></p> <p>The Strategic Determinants of Tardy Entry: Is Timeliness Next to Godliness? <i>Luca Berchicci, Andrew King, Christopher L. Tucci</i></p> <p>Product Preannouncement as a Price Discrimination Tool <i>Sumitro Banerjee</i></p> <p>The Impact of Product Portfolio and Innovation Strategy on Financial Performance <i>Wooseong Kang, Mitzi Montoya-Weiss</i></p>

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<p>TB09 Choice – Methodology II</p>	<p>TB10 Retail Assortment</p>	<p>TB11 Pricing II – Experiential Consumption</p>	<p>TB12 Brand Extension Research</p>
<p>Seminar Room 3.1 (Rm 3001)</p> <p><i>Chair: Paul Wang</i></p> <p>Modeling Whether, What and How Much to Buy: Is the Selectivity Bias in Quantity Outcomes Important? <i>Christine Ebling, Daniel Klapper</i></p> <p>The Impact of the Choice Set on the Consistency of Consumers' Selections <i>Cam Rungie, Jordan Louviere, Len Coote</i></p> <p>Which Are the Better Predictors of Consumer Choice: Structural Equation or Discrete Choice Models? <i>Paul Wang, Con Menictas, Jordan Louviere</i></p>	<p>Seminar Room 3.2 (Rm 3003)</p> <p><i>Chair: Robert Rooderkerk</i></p> <p>Pricing in Online Book Retailing: The Role of Assortment and Consumer Perception of Product Availability <i>Xubin Zhang</i></p> <p>Great Expectations?! Assortment Size, Expectations and Satisfaction <i>Kristin Diehl, Cait Poyner</i></p> <p>Robust Optimization of Retail Assortments <i>Robert Rooderkerk, Harald van Heerde, Dick den Hertog</i></p>	<p>Seminar Room 3.3 (Rm 3005)</p> <p><i>Chair: Fernando Nascimento</i></p> <p>An Integrative Model of Consumers' Product Consumption, Need States and Consumption Contexts <i>Sha Yang, Ravi Dhar, Vishal Narayan</i></p> <p>Dynamic Consumption Self-Control of Vice Goods: An Empirical Investigation <i>Brett Gordon, Baohong Sun</i></p> <p>Pricing Digital Services <i>Fernando Nascimento</i></p>	<p>Seminar Room 3.4 (Rm 3007)</p> <p><i>Chair: Tom Meyvis</i></p> <p>An Empirical Investigation of the Effects of New Product Introductions across Multiple Categories <i>Ram Bezawada, Debu Talukdar, Vijay Ganesh Hariharan</i></p> <p>Drivers of Service Brand Extensions Success in India – A Structural Equation Modeling Approach <i>Thamaraiselvan Natarajan, Raja John</i></p> <p>The Impact of Breadth and Depth of Brand Extensions in a Brand Architecture <i>Vijay Viswanathan, Douglas Bowman</i></p> <p>Beyond Survival of the Fittest: The Influence of Mindsets on Consumers' Response to Brand Extensions <i>Tom Meyvis, Kelly Goldsmith, Ravi Dhar</i></p>
<p>TB13 Bayesian Methodology and Application</p> <p>Seminar Room 3.7 (Rm 3026)</p> <p><i>Chair: Michael Braun</i></p> <p>Building Brands <i>Berk Ataman, Carl Mela, Harald van Heerde</i></p> <p>Bayesian Analysis of Simultaneous Demand and Supply with Market-Level data - U.S. Auto Market <i>Yutaka Yonetani, Yuichiro Kanazawa, Satoshi Myojo</i></p> <p>Preference Revision in Joint Choice Decisions <i>Moon Young Kang, Anocha Aribarg, Neeraj Arora</i></p> <p>Variational Methods for Large-Scale Bayesian Inference <i>Michael Braun, Jon McAuliffe</i></p>	<p>TB14 Services Marketing I</p> <p>Seminar Room 3.8 (Rm 3028)</p> <p><i>Chair: Peter De Maeyer</i></p> <p>Customer Integration Competence and Customer Satisfaction with Mass Customization Offerings <i>Melanie Müller, Ralf Reichwald, Frank Piller, Vivien Dollinger</i></p> <p>Good for the Goose or Gander? Effect of Participation Climate on Customer and Employee Satisfaction <i>C.K. (Bennett) Yim, David K. Tse, Kimmy Wa Chan, Simon Lam</i></p> <p>Modeling Plan Choice in Cell Phone Subscription <i>Juin Kuan Chong, Khim Yong Goh</i></p> <p>An Exploratory Study of the Impact of Offshore Outsourcing on Service Quality Perceptions <i>Peter De Maeyer, Hooman Estelami</i></p>	<p>TB15 Empirical B2B Research</p> <p>Seminar Room 3.9 (Rm 3029)</p> <p><i>Chair: Kapil Tuli</i></p> <p>A Latent Growth Curve Analysis of the Impact of Partner Selection on Organizational Outcomes <i>Kenneth H. Wathne, Kersi D. Antia</i></p> <p>The Impact of the Consistency of Channel Strategies Within a Territory on Channel Satisfaction <i>Alberto Sa Vinhas, Jan Heide, Sandy Jap</i></p> <p>The Strategic Role of Marketing in Managing Risk: The Case for Customer Retention <i>Kapil Tuli, Sundar Bharadwaj</i></p>	<p>TB16 Market Research I: Methodologies in CRM</p> <p>Seminar Room 3.10 (Rm3031)</p> <p><i>Chair: Doug Walker</i></p> <p>Customized New Product Recommendation in CRM Database <i>Hsiu-Wen Liu, Kung-Hsin Shao, Lichung Jen</i></p> <p>A P-SVM Based Model for Data Mining Using Chaos Optimization and Pair-wise Comparison <i>Xuesong Guo</i></p> <p>Precision and Selectivity in Database Marketing <i>Doug Walker, James Hess</i></p>

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TC01 Business – Consumer interaction: Bargaining, Negotiation and Relationship	TC02 International Marketing II	TC03 Pharmaceutical Marketing III	TC04 Decision Research III – Loss Aversion & Context Effects
<p>Seminar Room 2.1 (Rm 2001)</p> <p><i>Chair: Joydeep Srivastava</i></p> <p>Interpreting Concession Patterns in Marketing Negotiations: Trustworthy Behaviors and Faces <i>Rajesh Bagchi, Dipankar Chakravarti</i></p> <p>Relationship Proneness – The Concept, its Dimensions and Indicators <i>Alberto Marcati, Claudio Barbaranelli, Michele Vecchione</i></p> <p>Does Trusting Your Feelings Make You Less of an Economic Man? Results From Ultimatum Games <i>Andrew Stephen, Michel Tuan Pham</i></p> <p>Fairness and Anger: Coupling and Decoupling of Emotions in Ultimatum Bargaining <i>Joydeep Srivastava</i></p>	<p>Seminar Room 2.2 (Rm 2002)</p> <p><i>Chair: Jeffrey Podoshen</i></p> <p>Information Asymmetry and Relationship Outcome in Client-Agency Relationship <i>Wenyu Dou, Nan Zhou, Hairong Li</i></p> <p>Generation Plastic or Generation Debt? Credit Card Usage among College Students in USA and India <i>Avinandan Mukherjee, Mary Beth Pinto</i></p> <p>The Changing Landscape of Japanese Advertising: An Exploratory Look at Western Influence <i>Jeffrey Podoshen, Pattarapong Nitikarn</i></p>	<p>Seminar Room 2.3 (Rm 2004)</p> <p><i>Chair: Marc Fischer</i></p> <p>Firms' Rules of Thumb and the Measurement of Marketing Effects: A Regression Discontinuity Approach <i>Sridhar Narayanan, Wesley Hartmann, Harikesh Nair</i></p> <p>Dynamic Marketing Mix Allocation for Long-Term Profitability <i>Ricardo Montoya, Oded Netzer, Kamel Jedidi</i></p> <p>Patient- or Physician-Oriented Marketing: What Drives Primary Demand for Prescription Drugs? <i>Marc Fischer, Sönke Albers</i></p>	<p>Seminar Room 2.4 (Rm 2005)</p> <p><i>Chair: Young-Won Ha</i></p> <p>The Effect of Decision Sequence on Choice Demotivation <i>Mark Heitmann, Sheena Iyengar, Jonathan Levav, Andreas Herrmann</i></p> <p>Complexity Effects on Consumer Choice Consistency <i>Bas Donkers, Benedict Dellaert</i></p> <p>The Impact of Adding Unique Categorical Features on Choice: Implications for Context Effects <i>Young-Won Ha, Sehoon Park, Hee-Kyung Ahn</i></p>
<p>TC05 Movie Marketing I</p> <p>Seminar Room 2.5 (Rm 2012)</p> <p><i>Chair: Xinlei (Jack) Chen</i></p> <p>Assessing the Roles of Professional Critics and User Reviews in Movie Choice <i>Masakazu Ishihara, Andrew Ching</i></p> <p>Simulating the Motion Picture Market: Why Do the Hits Take it All? <i>Sebastiano Delre, Marco Janssen, Wander Jager, Tammo Bijmolt</i></p> <p>Pre-release Expectation, Word of Mouth, and Backfire: Evidence from the Motion Pictures Industry <i>Chong Wang, Natasha Zhang Foutz, Xiaquan Zhang</i></p> <p>Learning About Movies: An Empirical Analysis of the Platform Release Strategy <i>Xinlei (Jack) Chen, Charles B. Weinberg, Yuxin Chen</i></p>	<p>TC06 Pricing III</p> <p>Seminar Room 2.6 (Rm 2013)</p> <p><i>Chair: David Soberman</i></p> <p>Assessing Market Value of Real Estate with a Geographically-Weighted Stochastic Frontier Model <i>Stephen Samaha, Wagner Kamakura</i></p> <p>Pricing of Delivery Services with Generalized Demand <i>Amiya Basu, Tridib Mazumdar, Charles Ingene</i></p> <p>Behavior and Location Based Price Discrimination in a Model with Overlapping Generations of Consumer <i>David Soberman, Amit Pazgal</i></p>	<p>TC07 Customer Loyalty and Retention</p> <p>Seminar Room 2.7 (Rm 2014)</p> <p><i>Chair: Udo Wagner</i></p> <p>Building Customer Brand Loyalty in a Competitive Marketing Environment <i>Joshua Adetayo, Erlinda Dionco-Adetayo</i></p> <p>Empirical Analysis on Loyalty and Switching Behavior of Electricity Customer <i>Hisanori Goto, Toshio Ariu</i></p> <p>Customer Base Analysis: The Case for a Central Variant of the Beta-Geometric/ NBD Model <i>Udo Wagner, Daniel Hoppe</i></p>	<p>TC08 Antecedents of Innovation</p> <p>Seminar Room 2.8 (Rm 2015)</p> <p><i>Chair: Kevin Zhou</i></p> <p>Role of Culture in Learning and Innovation Over Time: A Cultural Theory Approach <i>Chirag Patel, Taran Patel</i></p> <p>The Role of Strategic Flexibility of New Product Development Processes in Turbulent Environments <i>Anindita Chakravarty, Rajdeep Grewal, Jean Johnson</i></p> <p>Core Capabilities or Core Rigidities? Strategic Flexibility, Knowledge Exploitation, and Exploration <i>Kevin Zhou, Fang Wu</i></p>

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<p>TC09 Applied Choice</p> <p>Seminar Room 3.1 (Rm 3001)</p> <p><i>Chair: Makoto Mizuno</i></p> <p>A Market Share Prediction Model Based on Household Panel Data: A Model of Cola Choice in Turkey <i>Tolga Kaya, Burc Ulengin</i></p> <p>Package Size Decisions <i>Rajeev Kohli, Ramesh Krishnamurti, Oded Koenigsberg, Ricardo Montoya</i></p> <p>Detecting Influential Consumers from Purchase History Data <i>Makoto Mizuno, Tatsuya Ikeda</i></p>	<p>TC10 Retail Display Effects</p> <p>Seminar Room 3.2 (Rm 3003)</p> <p><i>Chair: Russ Winer</i></p> <p>The Effectiveness of In-front-of-the-Store Advertising Media <i>Britta Cornelius, Martin Natter</i></p> <p>The Impact of In-Store Experiential Retail Events on Consumer Store Choice Decisions <i>Sean Sands, Harmen Oppewal, Michael Beverland</i></p> <p>Managing Brand Salience <i>Ralf van der Lans, Rik Pieters, Michel Wedel</i></p> <p>Brother Can You Spare a Dime?: The Spare Change Effect at Point-of-Purchase <i>Russ Winer, Terri Albert</i></p>	<p>TC11 Contracts and Out-Sourcing</p> <p>Seminar Room 3.3 (Rm 3005)</p> <p><i>Chair: Erik Mooi</i></p> <p>Governance of B2B Service Outsourcing from the Client's Perspective <i>Jing Yang, Thomas Brashear</i></p> <p>Contracts in IT: The Tradeoff between Ex Ante Contracting Cost and Ex Post Transaction Problems <i>Erik Mooi, Mrinal Ghosh</i></p>	<p>TC12 Strategic Alliances</p> <p>Seminar Room 3.4 (Rm 3007)</p> <p><i>Chair: Inwoo Nam</i></p> <p>Transferability of Knowledge from Co-Creation Relations <i>Corine Noordhoff, Benedict Dellaert, Kyriakos Kyriakopoulos, Pieter Pauwels</i></p> <p>Factors Impact Enterprises to Establish e-Alliances in Taiwan <i>Ching-Chih Wen, Ya-Lan Wen, Nutcharin Arunphat</i></p> <p>Determinants of the Duration of Strategic Alliances in Health Care <i>Inwoo Nam, Thomas Gruca</i></p>
<p>TC13 Market Structure & Diffusion of Innovation</p> <p>Seminar Room 3.7 (Rm 3026)</p> <p><i>Chair: Ada Leung</i></p> <p>Did Hightech Sales Change? Comparing Old to New Tech in Terms of Sales Patterns at the SKU level <i>Erjen van Nierop, Tammo Bijmolt</i></p> <p>Upstream Competitive Structure and Downstream Demand <i>Abhik Roy, Jagmohan Raju</i></p> <p>An Agent-Based Simulation Model of Competitive Product Diffusion among Heterogeneous Consumers <i>Shuoyang Zhang</i></p> <p>Status Competition and Diffusion of Organizational Innovation <i>Ada Leung</i></p>	<p>TC14 Advertising and Consumer Behavior</p> <p>Seminar Room 3.8 (Rm 3028)</p> <p><i>Chair: Lars Bergkvist</i></p> <p>Understanding the Drivers of Heterogeneity in Consumers' Moment-to-Moment Response to Advertisements <i>Jennifer Young, Wayne Hoyer, Leigh McAlister</i></p> <p>Influences of Incomplete Information in Printed Clothing Advertising on Purchasing Intentions <i>Roxy Hsien-Chen Mo, Jane Lu Hsu</i></p> <p>Power Up Your Brand: A Study of Marketing Communications in Digital Games <i>Lars Bergkvist, Doreen Kum</i></p>	<p>TC15 CLV: Present and Future</p> <p>Seminar Room 3.9 (Rm 3029)</p> <p><i>Chair: Roland Rust</i></p> <p>Including Marketing Mix in a CLV Model <i>Sandeep Conoor</i></p> <p>Customer-Base Analysis Using Repeated Cross-Sectional Summary (RCSS) Data <i>Bruce Hardie, Kinshuk Jerath, Peter Fader</i></p> <p>A Generalized Framework for Estimating Customer Lifetime Value When Customer Lifetimes Are Not Observed <i>Sharad Borle, Siddharth Singh, Dipak Jain</i></p> <p>Will the Frog Change into a Prince?: Predicting Future Customer Profitability <i>Roland Rust, Rajkumar Venkatesan, V Kumar</i></p>	<p>TC16 The Outcomes of Customer Satisfaction</p> <p>Seminar Room 3.10 (Rm3031)</p> <p><i>Chair: Youngchan Kim</i></p> <p>The Nonlinear and Asymmetric Relationship among E-service Quality, Customer Satisfaction and Loyalty <i>Zhao Li</i></p> <p>Customer Satisfaction and Repurchase Intentions for Medium-Tech B2B Products <i>Michael W. Preis, Gregory M. Kellar</i></p> <p>Are Satisfied Customers More Profitable? Examining the SPC in the Finance Services Industry <i>Arne Floh, Sundar Bharadwaj</i></p> <p>Integrated Impact of Customer Satisfaction and Word of Mouth on Customer Base in Dynamic Market Situ <i>Youngchan Kim, Janghyuk Lee, Jaesung Cha</i></p>

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Thursday, June 28, 2007 3:30-5:00pm (Session TD)

TD01	TD02	TD03	TD04
<p>Research Methods in Innovation</p> <p>Seminar Room 2.1 (Rm 2001)</p> <p><i>Chair: Steven Shugan</i></p> <p>The Wisdom of Crowds: Using Online Virtual Stock Market to Predict Innovation Success <i>Natasha Zhang Foutz, Wolfgang Jank</i></p> <p>Creating and Evaluating New Product Ideas with Idea Markets <i>Arina Soukhoroukova, Bernd Skiera, Martin Spann</i></p> <p>The CHANCE Approach: A New and Simple Method to Predict the Success or Failure of New Products <i>Oliver Heil, Vera Magin</i></p> <p>People Metrics and New Product Forecasting <i>Steven Shugan, Debanjan (Deb) Mitra</i></p>	<p>Consumer Consumption Issues</p> <p>Seminar Room 2.2 (Rm 2002)</p> <p><i>Chair: James Hess</i></p> <p>Effect of Counterfactual Reasoning on Responses to Service Failures Involving Multiple Suspects <i>Candy K. Y. Ho, Jessica Kwong</i></p> <p>The Perception of Low-Cost Air Transport Firms: Psychological, Economic & Anthropological Issues <i>Jean-Louis Nicolas, Mohamed Merdji</i></p> <p>Counterfeits, Knockoffs and Conspicuous Consumption: An Model of Counterfeits and Status Goods <i>James Hess, Sung Ham, Stephanie Geiger-Oneto</i></p>	<p>Diffusion of Innovation in Different Product Markets</p> <p>Seminar Room 2.3 (Rm 2004)</p> <p><i>Chair: Elisa Montaguti</i></p> <p>Modelling the Replacement Age for Consumer Durables: A New Approach <i>Paul Steffens, Maria Kaya, Sönke Albers</i></p> <p>Forecasting the Diffusion of New Book Titles <i>Sarah Spitzer, Thorsten Posselt, Dubravko Radic</i></p> <p>Fostering the Diffusion of Innovative Green Products <i>Giulia Calabretta, Boris Durisin, Jordi Montana</i></p> <p>Are Physicians Just Learning or Also Forgetting about Drugs? <i>Elisa Montaguti, Marco Visentin</i></p>	<p>Decision Research IV – Effect of Complexity and Personalization on Choice</p> <p>Seminar Room 2.4 (Rm 2005)</p> <p><i>Chair: Gerald Haubl</i></p> <p>Rural Retailers' Decision-making: Conjecturing a Conceptual Framework for Empirical Research <i>Debasis Pradhan, Abinash Panda</i></p> <p>Management of Web site Complexity in Pre and Post Decision Goal Orientations <i>Reetika Gupta, Caglar Irmak, Peter Gollwitzer, Gebriele Oettingen</i></p> <p>Ironic Effects of Personalized Product Recommendations on Subjective Consumer Decision Outcomes <i>Gerald Häubl, Benedict Dellaert, Murat Usta</i></p>
<p>TD05</p> <p>Movie Marketing II</p> <p>Seminar Room 2.5 (Rm 2012)</p> <p><i>Chair: Berend Wierenga</i></p> <p>Cycles of Channel Evolution: An Account of the Motion Picture Industry <i>Keri Kettle, Paul Messinger</i></p> <p>Movie Star Salaries and the Volatility of Movie Revenues <i>Amit Joshi</i></p> <p>Decision Support for the Movie Industry: Demand-Driven Scheduling of Movies in a Multiplex <i>Berend Wierenga, Josh Eliashberg, Quintus Hegie, Jason Ho, Dennis Huisman, Sanjeev Swami, Charles Weinberg, Steve Miller</i></p>	<p>TD06</p> <p>Long-term Behavior in e-Marketing</p> <p>Seminar Room 2.6 (Rm 2013)</p> <p><i>Chair: Juanjuan Zhang</i></p> <p>Modeling Concentration Degree on the Most Valuable Customers for E-Commerce Sites <i>Je-Sheng Huang</i></p> <p>On the Similarities of Online Customer Satisfaction and Loyalty Models in Disparate Contexts <i>Anand Jaiswal, Rakesh Niraj, Pingali Venugopal</i></p> <p>How Web Quality Leads to Web Portal Loyalty? The Mediating Role of Trust and Commitment <i>Jimmy Lee</i></p> <p>Can Information on Demand Asymmetry Lead to Demand Expansion? A Field Investigation <i>Juanjuan Zhang, Catherine Tucker</i></p>	<p>TD07</p> <p>Marketing Metric I</p> <p>Seminar Room 2.7 (Rm 2014)</p> <p><i>Chair: Marc Vanhuele</i></p> <p>Explaining Growth Expectations <i>Thorsten Wiesel, Rajendra K. Srivastava, Tanja Frischmann</i></p> <p>The Adequacy of Marketing Development as Determinant of Corporate Performance in Mainland China <i>Lancy Mac</i></p> <p>Counting What Will Count: Does Your Dashboard Predict? <i>Koen Pauwels, Amit Joshi</i></p> <p>Linking Customer Metrics to Brand Performance <i>Marc Vanhuele, Koen Pauwels, Shuba Srinivasan</i></p>	<p>TD08</p> <p>Innovation: Co-creation and Creativity</p> <p>Seminar Room 2.8 (Rm 2015)</p> <p><i>Chair: Chander Velu</i></p> <p>Exploring Customer Judgment and Decision Making in the Context of Mass Customization <i>Xiaoyan Deng, Wesley Hutchinson</i></p> <p>What is Creative to Whom? Investigating the Effect of Product and Consumers' Characteristics <i>Gaia Rubera, David Mazursky, Andrea Ordanini</i></p> <p>Why Does A Consumer Participate in the Co-creation? A Study on Consumers' Creative Motivation <i>Lan Xu, Chen Zhou, Nan Cui</i></p> <p>Open Innovation: An Economic Analysis of Flexibility vs. Control of Information <i>Chander Velu, Stuart Madnick, Marshall Van Alstyne</i></p>

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Thursday, June 28, 2007 3:30-5:00pm (Session TD)			
<p>TD09 Choice and Preference at Multiple Levels</p> <p>Seminar Room 3.1 (Rm 3001)</p> <p><i>Chair: Mark Uncles</i></p> <p>Myopic or Not Myopic?: A Retailer's Strategic Choice <i>Sihem Taboubi, Georges Zaccour, Guiomar Martin Herran</i></p> <p>Service Diffusion Augmented by Brand Choice <i>Vardit Landsman, Moshe Givon</i></p> <p>Modeling the Behavioral Brand Loyalty of Chinese Consumers: Are Findings Consistent over Time? <i>Mark Uncles, Chao Wang</i></p>	<p>TD10 Topics in Channel</p> <p>Seminar Room 3.2 (Rm 3003)</p> <p><i>Chair: Maria Smirnova</i></p> <p>Assessing the Impact of Supply Chain Disruptions on Market Access: A Catastrophe Approach <i>Ralph Kauffman</i></p> <p>Relationship between Trust and Monitoring in Administered Marketing Channel: A Lab Experiment <i>R.C. Natarajan</i></p> <p>Deconstructing the Benefits of Direct Retail Channels <i>Kirthi Kalyanam, Subom Rhee, Peter Lenk</i></p> <p>Relationship Styles in Customer-supplier Interaction: Empirical Evidence from Russian Markets <i>Maria Smirnova, Sergei Kouchtch</i></p>	<p>TD11 Pricing IV</p> <p>Seminar Room 3.3 (Rm 3005)</p> <p><i>Chair: Fabio Ancarani</i></p> <p>Price Optimization in Business Insurance <i>Hong Juan Liu, Robert Fildes, Keet Peng Onn, Didier Soopramanien</i></p> <p>Flat Fee or Pay-As-You-Use: Case Study about Electronic Payment Service <i>Vinay Kanetkar</i></p> <p>Are Customers Always Right? Fees to Protect Firms from Customer Opportunistic Behavior <i>Fabio Ancarani, Eitan Gerstner, Thorsten Posselt, Dubravko Radic</i></p>	<p>TD12 Empirical Research in Branding</p> <p>Seminar Room 3.4 (Rm 3007)</p> <p><i>Chair: Raji Srinivasan</i></p> <p>Conditional Cross-brand Learning: When are Private Labels Really Private? <i>Maciej Szymanowski, Els Gijsbrechts</i></p> <p>Sources of Brand Equity: A New Model to Represent Unbiased Perceptions <i>Marco Visentin, Mariachiara Colucci, Gian Luca Marzocchi</i></p> <p>The Quest for Citations: Drivers of Article Impact <i>Isabel Verniers, Peter C. Verhoef, Stefan Stremersch</i></p> <p>Valuing Branding Strategies in New Product Introductions: A Hedonic Regression Approach <i>Raji Srinivasan, Susan Broniarczyk</i></p>
<p>TD13 Bayesian Applications</p> <p>Seminar Room 3.7 (Rm 3026)</p> <p><i>Chair: Garrett Sonnier</i></p> <p>A Framework of Applying A Hidden Markov Model in Analyzing Customers' Behaviors <i>Hsin-Hung Wu, Jiunn-I Shieh</i></p> <p>An Empirical Model of Advance Purchasing Pattern for Perishable Goods <i>Zhe Qu, DJ Wu, Sridhar Narasimhan</i></p> <p>The Value of Brand-Image Associations <i>Garrett Sonnier, Andrew Ainslie, Thomas Otter</i></p>	<p>TD14 Marketing Strategy I</p> <p>Seminar Room 3.8 (Rm 3028)</p> <p><i>Chair: Joe Urbany</i></p> <p>Backward Engineering with the Product Life Cycle <i>Laszlo Sajtos, Graham, J Hooley</i></p> <p>Analysis of Context Maps for Positioning a Newly Launched Mobile Service in the Korean Market <i>Hyunmo Kang, Minhi Hahn</i></p> <p>Late for the Train: How Strategic Framing Retards Response to an Influx of Market Uncertainty <i>Willem Smit, Stuart Read</i></p> <p>Connecting Firm Capabilities and Customer Value <i>Joe Urbany, Jim Davis</i></p>	<p>TD15 Resource Allocation in CLV</p> <p>Seminar Room 3.9 (Rm 3029)</p> <p><i>Chair: Matthias Loetzer</i></p> <p>A Framework for Predicting Customer Lifetime Value and for Efficient Allocation of Market Resources <i>Ananthakrishnan Ramakrishnan, Sethu Sudalaimuthu, M Mathirajan</i></p> <p>Customer Lifetime Value and Churn Management: A Triangulation Approach <i>Elen Lima, Bart Baesens, Christophe Mues</i></p> <p>Defected Customers: When Is the Juice Worth the Squeeze? -- An Empirical Investigation of Optimal Customer Win-back Strategy <i>Yacheng Sun, Shibo Li, Baohong Sun</i></p> <p>The Elasticity of the Expected Transaction Value of Customers in Always-a-Share Markets <i>Matthias Loetzer, Joachim Bueschken</i></p>	<p>TD16 Customer Satisfaction and Consumer Behavior I</p> <p>Seminar Room 3.10 (Rm3031)</p> <p><i>Chair: Kyungae Park</i></p> <p>Bridging the Gap Between Marketing Practices and Consumer Satisfaction <i>Erlinda Dionco-Adetayo, Joshua Adetayo, Biodun Areo, Pade Aderibigbe</i></p> <p>The Power of Positive Mood: Investigating the Role of Affect on Customer Trust and Customer Loyalty <i>Alvin Yeo</i></p> <p>Post-Purchase Return Process: Perspectives from Consumer Experiences <i>Kyungae Park</i></p>

Marketing Science Conference – 2007

Friday, June 29, 2007 8:30-10:00am (Session FA)

<p>FA01 Meet the Editors II</p>	<p>FA02 Consumer Cognition</p>	<p>FA03 Diffusion of Interrelated Innovation</p>	<p>FA04 Decision Research V – Numbers and Prices</p>
<p>Seminar Room 2.1 (Rm 2001)</p> <p>Management Science (Jagmohan S. Raju)</p> <p>Marketing Science (Steven M. Shugan)</p> <p>International Journal of Research in Marketing (Stefan Stremersch)</p> <p>Marketing Letters (Joe Urbany & Randolph E. Bucklin)</p>	<p>Seminar Room 2.2 (Rm 2002)</p> <p><i>Chair: Sharmila Chatterjee</i></p> <p>CAM: A Spreading Activation Network Model of Subcategory Positioning <i>Joseph Lajos, Zsolt Katona, Amitava Chattopadhyay, Miklos Sarvary</i></p> <p>Consumer Evaluation of Convergent High - Technology Products <i>Tripat Gill</i></p> <p>Consumers' Mental Maps of Diseases: The Cognitive Mechanisms of the Health Communication Impact <i>Yanliu Huang, Barbara Kahn</i></p> <p>Cognitive Ethnicity Among U.S. Hispanics: The Emergence of a New Paradigm? <i>Sharmila Chatterjee, Jacob Beniflah</i></p>	<p>Seminar Room 2.3 (Rm 2004)</p> <p><i>Chair: Joep Arts</i></p> <p>A New Multivariate Product Growth Model <i>Philip Hans Franses, Peter Boswijk, Dennis Fok</i></p> <p>Direct Substitutes and Indirect Complements in Durable Goods Market: Evidence from Digital Cameras <i>Liyuan Wei, Junji Xiao</i></p> <p>Modeling Dynamic Co-diffusion Processes of Seemingly Unrelated Innovations <i>Kaz Takada, Kaich Saito</i></p> <p>The Dual Effects of Price on the International Takeoff of New Products <i>Joep Arts, Ruud Frambach, Gerard Tellis</i></p>	<p>Seminar Room 2.4 (Rm 2005)</p> <p><i>Chair: Leonard Lee</i></p> <p>The Effect of Regulatory Focus on the Anchoring Bias <i>Rongrong Zhou, Shenghui Zhao</i></p> <p>When Numbers Are Talking: Effects of Message Framing on Judgments of Risk and Behavioral Intentions <i>Nevena Koukova, Joydeep Srivastava</i></p> <p>Money Muddles Thinking: The Effects of Price Considerations on Preference Consistency <i>Leonard Lee, Marco Bertini, Dan Ariely</i></p>
<p>FA05 Emerging Issues in e-Markets</p> <p>Seminar Room 2.5 (Rm 2012)</p> <p><i>Chair: Arun Sundararajan</i></p> <p>Are Digital Rights Valuable? Theory and Evidence from eBook Pricing <i>Arun Sundararajan, Gal Oestreicher-Singer</i></p> <p>How a Faster Internet Changes E-marketing <i>Anupama Ramachandran, Roland Rust, P.K. Kannan</i></p> <p>Connectivity and Interconnectivity: When Value Creation May Hurt a Company <i>Tingting He, Dmitri Kuksov, Chakravarthi Narasimhan</i></p> <p>Construction of Consumer Behavior in a Virtual Space with Increasing Levels of Commercial Presence <i>Hui-Ju Wang, Clyde Warden</i></p>	<p>FA06 Competition</p> <p>Seminar Room 2.6 (Rm 2013)</p> <p><i>Chair: Trichy V. Krishnan</i></p> <p>Retail Format Competition: Co-location and Competition Effects in Location Choice <i>Sumon Datta, Debu Talukdar, K. Sudhir</i></p> <p>Does Acquisitive Entry Help or Hurt Competitors? Toward A More Detailed View <i>Prokriti Mukherji, Alina B. Sorescu, Jaideep Prabhu, Rajesh Chandy</i></p> <p>Is Decentralization Really Better than Vertical Integration for Low Differentiated Goods?: A Comment on McGuire Staelin (1983) Paper <i>Trichy V. Krishnan, Jiang Zhiying</i></p>	<p>FA07 Marketing Metrics II</p> <p>Seminar Room 2.7 (Rm 2014)</p> <p><i>Chair: Mario Rese</i></p> <p>Decoupling the Dirichlet Alpha from Market Share: Brand Equity and Double Jeopardy? <i>Cullen Habel</i></p> <p>The Impact of Advertising Effectiveness: Stock Analysts' Forecasts vs. Stock Market Results <i>MinChung Kim</i></p> <p>Measuring Marketing Success from a Value-Based Perspective <i>Mario Rese, Valerie Herter</i></p>	<p>FA08 Multiple Channels</p> <p>Seminar Room 2.8 (Rm 2015)</p> <p><i>Chair: Martin Boehm</i></p> <p>Identifying Multi-Channel Shopper Segments and Their Antecedents <i>Umut Konus, Peter C. Verhoef, Scott Neslin</i></p> <p>Optimal Channel Introduction Strategies by Incorporating Volatility in the Decision Basis <i>Jens Keller, Matthias Schulten, Marcus Schoegel, Sven Reinecke</i></p> <p>Evaluating Customer Channel Migration Activities <i>Martin Boehm, Sonja Gensler</i></p>

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Friday, June 29, 2007 8:30-10:00am (Session FA)			
<p>FA09 Multiple Category Choice</p> <p>Seminar Room 3.1 (Rm 3001)</p> <p><i>Chair: Kyuseop Kwak</i></p> <p>A Generalized Continuous Hedonic Model with an Application to Multiple-Category Purchases <i>Yu Ma, Tat Chan</i></p> <p>A Latent Class Multivariate Logistic Model For Multiple Product Choice <i>Gary Russell, Anand Bodapati</i></p> <p>Multiclass Choice Modeling with Large Feature Spaces: Random Multinomial Logit <i>Anita Prinzie, Dirk Van den Poel</i></p> <p>Cross-Category Spillover Effects of Reference Price <i>Kyuseop Kwak, Sri Devi Duvvuri, Gary Russell</i></p>	<p>FA10 Retailing Competition</p> <p>Seminar Room 3.2 (Rm 3003)</p> <p><i>Chair: Marnik Dekimpe</i></p> <p>The Way Music Died: The Effects of Retail Competition on Variety <i>Oded Koenigsberg, Eitan Muller, Paris Cleanthous</i></p> <p>An Empirical Investigation of Product Variety Competition among Retailers <i>Ye Hu, Jeffrey Hu, Jerry Hausman</i></p> <p>Competitive Reaction to Wal-Mart Entry <i>Jie Zhang, Kusum Ailawadi, Aradhna Krishna, Michael Kruger</i></p> <p>Dancing With a Giant: The Effect of Wal-Mart's Entry into the U.K. on European Retailing <i>Marnik Dekimpe, Katrijn Gielens, Jan-Benedict Steenkamp, Linda Van de Gucht</i></p>	<p>FA11 Pricing V – Psychology</p> <p>Seminar Room 3.3 (Rm 3005)</p> <p><i>Chair: Tulin Erdem</i></p> <p>Evaluating Theories of Image Effects and Rational Inattention: Price Points in Internet Retailing <i>Robert Kauffman, Dongwon Lee, Mark Bergen</i></p> <p>An Empirical Investigation of Pricing and Product Line Decisions When Price Signals Quality <i>Voelckner Franziska, Sven Theysohn, Martin Spann</i></p> <p>A Simple Test of Reference Price Theories <i>Tulin Erdem, Baohong Sun, Michael L. Katz</i></p>	<p>FA12 Branding, Reputation and Brand Value Chain</p> <p>Seminar Room 3.4 (Rm 3007)</p> <p><i>Chair: Leigh McAllister</i></p> <p>The Role of the Communication Mix in the Formation and Maintenance of Corporate Esteem <i>Seema Pai, Siddarth Sivaramakrishnan, Natalie Mizik</i></p> <p>Testing the Brand Value Chain: An Exploration in the Personal Gaming Industry <i>Sundar Bharadwaj, Andre Bonfrer</i></p> <p>Measuring Brand Equity: A Comparison of Keller's and Aaker's Framework using a Bayesian Approach <i>Ashish Sinha, Nicholas Ashill</i></p> <p>Linking a Brand's Value to the Value of its Customers <i>Leigh McAllister, Shameek Sinha</i></p>
<p>FA13 Bayesian Application in CRM</p> <p>Seminar Room 3.7 (Rm 3026)</p> <p><i>Chair: Satish Jayachandran</i></p> <p>Integrating Loyalty Program Database and Customer Panel Data for Share-of-Wallet Estimation <i>Jeongwen Chiang, Yuxin Chen, Mengze Shi</i></p> <p>The Importance of Explicit Drop-Out Modeling in an Always-a-Share Transaction Setting <i>Michael Jungbluth, Joachim Bueschken</i></p> <p>Conversion of Shoppers in Brick and Mortar Retailing – An Analysis of Observational Data <i>Joachim Büschken</i></p> <p>The Impact of CRM Technology Installation on Firm Performance <i>Satish Jayachandran, Alexander Krasnikov, Bikram Ghosh</i></p>	<p>FA14 Services Marketing II</p> <p>Seminar Room 3.8 (Rm 3028)</p> <p><i>Chair: Yuli Lin</i></p> <p>Investigating the Elements of the Service Brand: A Customer Value Perspective <i>Roderick Brodie, James, R. M. Whittome, Gregory J. Brush</i></p> <p>Customer Orientation of Service Employees, Its Impact on Customer Satisfaction and Retention <i>Kambiz Heidarzadeh Hanzaee</i></p> <p>Too Much of a Good Thing: Organizational Learning as Resource or Distraction? <i>Simon Bell, Omar Merlo, Eden Yin</i></p> <p>The Moderating Role of Employee-Customer Fitness on Service Performance <i>Yuli Lin, Hsiu-Wen Liu</i></p>	<p>FA15 Empirical Industrial Organization I</p> <p>Seminar Room 3.9 (Rm 3029)</p> <p><i>Chair: Dan Horsky</i></p> <p>The Effect of Competition on the Rate of Innovation in High-Tech Product Industry <i>Wonjoon Kim</i></p> <p>An Investigation of Exchange Rate Pass-Through-Effects <i>Till Dannewald, Lutz Hildebrandt</i></p> <p>Negative Political Advertising on Vote Outcome: An Investigation of 2000 Election <i>Hai Che, Ganesh Iyer, Ravi Shanmugam</i></p> <p>Competitive Positioning and Pricing of Brand Lines <i>Dan Horsky, Sanjog Misra, Paul Nelson</i></p>	<p>FA16 Customer Satisfaction and Customer Behavior II</p> <p>Seminar Room 3.10 (Rm3031)</p> <p><i>Chair: Jan U. Becker</i></p> <p>Carryover and Halo-Effects in Service Satisfaction Formation <i>Jenny van Doorn</i></p> <p>A Comparison of Bayesian Networks to Principal Component Analysis to Detect e-satisfaction Factors <i>Christine Balague, Anne Françoise Audrain</i></p> <p>Reliability of Direct Customer Satisfaction Tracking Data <i>Jan U. Becker, Sönke Albers</i></p>

Marketing Science Conference – 2007

Friday, June 29, 2007 10:30-12:00pm (Session FB)

<p>FB01 Special Session: Contemporary Issues in Branding in the Asia Pacific Region: Challenges for Marketing Science</p> <p>Seminar Room 2.1 (Rm 2001)</p> <p><i>Chair: Roderick Brodie</i></p>	<p>FB02 Antecedent of Online Purchase Behavior</p> <p>Seminar Room 2.2 (Rm 2002)</p> <p><i>Chair: Joeri De Haes</i></p>	<p>FB03 Innovations and Market Outcomes</p> <p>Seminar Room 2.3 (Rm 2004)</p> <p><i>Chair: Alina B. Sorescu</i></p>	<p>FB04 Decision Research VI</p> <p>Seminar Room 2.4 (Rm 2005)</p> <p><i>Chair: Aniban Mukhopadhyay</i></p>
<p>Panel Discussion: Contemporary Issues in Branding in the Asia Pacific Region: Challenges for Marketing Science <i>Roderick Brodie, Rajendra K. Srivastava, Mark Uncles, Sherriff Luk</i></p>	<p>Contingent Free Shipping and Repeat Buying on the Internet <i>Skander Esseghaier, David Bell, Yinghui Yang</i></p> <p>Online Purchase Behavior Across Multiple Shopping Sessions <i>Yuanping Ying, Jie Zhang, Michel Wedel</i></p> <p>The Influence of the Online Shopping Environment on Consumer Emotions <i>Joeri De Haes, Annouk Lievens, Walter van Waterschoot</i></p>	<p>R&D, Marketing and Intangibles - Relationships and Drivers of Success <i>Henning Kreis, Lutz Hildebrandt</i></p> <p>Spill-Over Effects of Product-Level Innovations on Family Brand and Competitive Brand Perceptions <i>Jan Busch, Corinne Faure</i></p> <p>Does Innovation in Business Model Improve Shareholder Value?: An Empirical Analysis <i>Alina B. Sorescu, Venky Shankar</i></p>	<p>The Anticipation of Chosen Pleasures: Temporal Variations in the Valuation of Delayed Consumption <i>Elaine Chan (Yee Ling), Anirban Mukhopadhyay</i></p> <p>The Role of Prior Choice and Subsequent Service Delay on Affect <i>Narayan Janakiraman, Shankar Ganesan</i></p> <p>Discounting Pleasure? Lay Intuitions about the Value of Deferred Hedonic Experience <i>Anirban Mukhopadhyay, Elaine Chan (Yee Ling)</i></p>
<p>FB05 Special Session: The Effects of Marketing on Physician Behavior and Drug Sales</p> <p>Seminar Room 2.5 (Rm 2012)</p> <p><i>Chair: Stefan Stremersch</i></p> <p>Introduction to Special Session: Marketing and Health <i>Stefan Stremersch</i></p> <p>Investigating the Impact of the Pharmaceutical Manufacturer-Pharmacy Benefit Manager Relationship on Patient Welfare and Employers' Prescription Drug Costs <i>Ozden Gur Ali, Murali Mantrala, Burak Çavdaro lu</i></p> <p>The Effects of Pharmaceutical Marketing Expenditures on Brand Sales and Firm Valuation <i>Jaap Wieringa, Ernst Osinga, Shuba Srinivasan, Peter Leeflang</i></p> <p>Physicians' Prescription Behavior Across Therapeutic Categories <i>Ramkumar Janakiraman, Catarina Sismeiro</i></p> <p>The Debate on Influencing Doctors' Decisions: Are Drug Characteristics the Missing Link? <i>Sriram Venkataraman, Stefan Stremersch</i></p>	<p>FB06 Competing on Marketing Mix Elements I</p> <p>Seminar Room 2.6 (Rm 2013)</p> <p><i>Chair: Prasad A. Naik</i></p> <p>The Optimal Generic Advertising and Brand Advertising Strategies for Duopolistic Firms <i>Shan-Yu Chou, Chyi-Mei Chen, Yong-Sheng Ku</i></p> <p>Making Consumers Jump through Hoops: Price Discovery and Retail Competition <i>Anand Krishnamoorthy, Preethika Suresh, Preyas Desai</i></p> <p>Quality and Advertising in a Vertically Differentiated Market <i>Elie Ofek, Zsolt Katona</i></p> <p>Managing Corporate and Product Brands <i>Prasad A. Naik, Shuba Srinivasan, Kalyan Raman</i></p>	<p>FB07 Behavioral Research in CRM</p> <p>Seminar Room 2.7 (Rm 2014)</p> <p><i>Chair: Manfred Krafft</i></p> <p>Optimizing CRM: Customer-Focused Capabilities in a Path-Dependent Organizational Setting <i>Oliver Arndt, Marcus Schoegel</i></p> <p>The Study of Organizational Capabilities: A Perspective on Relationship Learning and Memory <i>Yi-Chun Hsieh, Shyh-Rong Fang</i></p> <p>Customer's Willingness to Reactivate a Former Relationship <i>Manfred Krafft, Doreén Pick</i></p>	<p>FB08 Channel Contracts & Coordination</p> <p>Seminar Room 2.8 (Rm 2015)</p> <p><i>Chair: Udatta Palekar</i></p> <p>Without Loss of Generality: Simplifying Assumptions in Game-Theoretic Models of Distribution <i>Charles Ingene, Mark Parry</i></p> <p>Optimal Buy-Back Contracts with Asymmetric Information <i>Qiang Gong</i></p> <p>Relational Contracting and Asset Specificity in Marketing Channel <i>Tomokazu Kubo, Akinori Ono</i></p> <p>Channel Coordination for Collaborative Adoption of Information Technology <i>Udatta Palekar, William Qualls, Jongkuk Lee</i></p>

Marketing Science Conference – 2007

Friday, June 29, 2007 10:30-12:00am (Session FB)

<p>FB09 Experimental Choice Models</p>	<p>FB10 Private Labels</p>	<p>FB11 Pricing VI</p>	<p>FB12 Branding in Global Contexts</p>
<p>Seminar Room 3.1 (Rm 3001) <i>Chair: Jordan Louviere</i></p> <p>Comparing Experimental Choice Models Across Decision States <i>Mark Morrison, Paul Wang, David Waller, Harmen Oppewal</i></p> <p>Modeling the Latent Preference Structure Implied by Discrete Choice Experiments <i>Len Coote, Cam Rungie, Jordan Louviere</i></p> <p>Choices of Single Individuals by Combining Choice Experiment Designs and Extra Pref Information <i>Jordan Louviere, Towhidul Islam, Nada Wasi</i></p>	<p>Seminar Room 3.2 (Rm 3003) <i>Chair: Qin Zhang</i></p> <p>How to Make Your Customers Pay for Private Labels <i>Salome Nies, Martin Natter</i></p> <p>Consumer Learning about Store Brands <i>Deanna Wang</i></p> <p>Why do Consumers Shop Around but not for Some Categories? <i>Qin Zhang, P.B. Seetharaman, Manish Gangwar</i></p>	<p>Seminar Room 3.3 (Rm 3005) <i>Chair: Dmitry Shapiro</i></p> <p>Studying Online Retail Market Structure: The Tradeoff Between Pricing and Service Quality <i>Joseph Pancras, Rajkumar Venkatesan, Kumar Mehta</i></p> <p>Implications of Market Share and Quality on Neighborhood Price Effects <i>Rajeev Airani</i></p> <p>Stability of Price Discrimination with Rationed and Non-Rationed Deals under Endogenous Leakage Rate <i>Aharon Hibshoosh, Uri Ben-Zion, Uriel Spiegel</i></p> <p>Market Segmentation: The Role of Opaque Travel Agencies <i>Dmitry Shapiro</i></p>	<p>Seminar Room 3.4 (Rm 3007) <i>Chair: Tammo Bijmolt</i></p> <p>Building the Country Brand from Inside – Romania’s Case <i>Alin Angheluta</i></p> <p>City Identity through Traditional Markets: A Study of the Branding Practices of 35 Traditional Markets <i>Popy Rufaidah</i></p> <p>Brand Knowledge Structure and Its Marketing Managerial Implications in Chinese Context <i>Wang Hai Zhong</i></p> <p>Stakeholder Relationship Management: Social Dimensions in the Creation of Brand Equity <i>Tammo Bijmolt, Anna Torres, Jose Tribó</i></p>
<p>FB13 Outcomes of Social Networks</p> <p>Seminar Room 3.7 (Rm 3026) <i>Chair: Khim Yong Goh</i></p> <p>The Economic Utilization of Intrapersonal Communication <i>Jofi Puspa, Rainer Kühl</i></p> <p>Customers’ Word-of-Mouth Intentions and Behaviors as Predictors of Suppliers’ Business Performance <i>Gina Pingitore, Neil Morgan, Lopo Rego, Adriana Gigliotti</i></p> <p>Customer-to-Customer Interactions in Service Encounter - An Interpersonal-Attraction Perspective <i>ChunMing Yang, Jacob Y.H. Jou, YiFen Liu</i></p> <p>Market Mavens and Online Word-of-Mouth: Evaluating the Impact on Consumer Purchase Behavior <i>Khim Yong Goh, Junhong Chu, Noel Tuan</i></p>	<p>FB14 Practical Issues Partnerships</p> <p>Seminar Room 3.8 (Rm 3028) <i>Chair: Michele Costabile</i></p> <p>Getting to Authenticity: Table-Stakes Philosophy of Modern Branding & an Overview of Commitment Marketing <i>Eric Stempinski</i></p> <p>The Kingdom of Fandom: The Identification Process of Consumers toward Human Brands <i>Tsui-Ju Huang, Chi-Tsun Huang</i></p> <p>Competitive Convergence: Construct Definition and Measurement <i>Michele Costabile, Fabio Ancarani</i></p>	<p>FB15 Empirical Industrial Organization II</p> <p>Seminar Room 3.9 (Rm 3029) <i>Chair: K. Sudhir</i></p> <p>Are All Managers Created Equal? <i>Botao Yang, Avi Goldfarb</i></p> <p>Intra- and Inter-format Competition Between Supermarkets and Discounters <i>Kathleen Cleeren, Marnik Dekimpe, Katrijn Gielens, Frank Verboven</i></p> <p>Modeling Local Market Response by Augmenting Marginal Distributions to Obtain Joint Distributions <i>K. Sudhir, Jason Duan, Sachin Sancheti</i></p>	<p>FB16 Topics in Customer Satisfaction</p> <p>Seminar Room 3.10 (Rm3031) <i>Chair: Zainab Jamal</i></p> <p>Community Marketing and Customer Benefits <i>Sony Kusumasondjaja</i></p> <p>Integrating the Voice of Customers through Call Center Emails into a Churn Prediction System <i>Kristof Coussement, Dirk Van den Poel</i></p> <p>Firm-Offered and Interpersonal Incentives in Customer Referrals <i>Qiuping LI, Laura Kornish</i></p> <p>Hazards of Ignoring Involuntary Customer Churn <i>Zainab Jamal, Randolph Bucklin</i></p>

Marketing Science Conference – 2007

Friday, June 29, 2007 1:30-3:00pm (Session FC)			
<p>FC01 Special Session – Technological Evolution and Organization Innovation</p> <p>Seminar Room 2.1 (Rm 2001)</p> <p><i>Chair: Ashish Sood</i></p> <p>Growth Acceleration across Technology Generations <i>Stefan Stremersch, Eitan Muller</i></p> <p>Decoding Disruption <i>Ashish Sood, Gerard Tellis</i></p> <p>Managing the Future: CEO Attention and Innovation Outcomes <i>Manjit S. Yadav, Jaideep Prabhu, Rajesh Chandy</i></p> <p>Does Dual Distribution Affect Organizational Innovativeness? Insights from Franchising in Restaurant Chains <i>Raji Srinivasan</i></p>	<p>FC02 International Marketing III</p> <p>Seminar Room 2.2 (Rm 2002)</p> <p><i>Chair: Duraipandian Israel</i></p> <p>A Cross-National Comparison of the Influence of Brand, Price and Texture on Perceived Quality <i>Chi-Shun Liaw, Cheng-Wen Lee</i></p> <p>Chinese Consumer Psychological Perspectives of Popular Retailer Formats: A Grounded Theory Study <i>Tien-Chun Lin, Clyde Warden</i></p> <p>Impact of Couples' Sex-Role Orientation on Durables Purchase Decisions in India <i>Duraipandian Israel</i></p>	<p>FC03 New Developments in Adoption Models</p> <p>Seminar Room 2.3 (Rm 2004)</p> <p><i>Chair: Geonha Kim</i></p> <p>Decomposing the Demand Effect of a New Product <i>Shuba Srinivasan, Harald van Heerde, Marnik Dekimpe</i></p> <p>Risk, Risk Reduction Tools and Adoption of Innovation <i>Amir Heiman, David Zilberman, Bruce McWilliams</i></p> <p>A Multi-Stage Empirical Model of New Product Adoption <i>Rachel Shacham, Peter Golder, Sha Yang</i></p> <p>A Market Matrix for Marketing Strategy and Technology Forecasting <i>Geonha Kim</i></p>	<p>FC04 Decision Support</p> <p>Seminar Room 2.4 (Rm 2005)</p> <p><i>Chair: Niek Althuizen</i></p> <p>A Portfolio Optimization Approach to Marketing Measurement and Optimization: a case study <i>Abderrahim Labbi, Cesar Berrospi</i></p> <p>Service Management by Censored Regression on the POS level <i>Meltem Kiygi Calli, Marcel Weverbergh</i></p> <p>Investigating the Inter Temporal Determinants of Store Traffic using a Dynamic Linear Model <i>Rajesh Shah, Ram Bezawada</i></p> <p>Analogical Reasoning as a Decision Support Principle for Marketing Design Problems <i>Niek Althuizen, Berend Wierenga</i></p>
<p>FC05 Modeling Issues in e-Markets</p> <p>Seminar Room 2.5 (Rm 2012)</p> <p><i>Chair: Dan Ma</i></p> <p>Modeling the Optimal Interval of Emailing <i>Janghyuk Lee, Jaehwan Kim</i></p> <p>Permission Email Options <i>Paul Messinger, Jin Li</i></p> <p>A Model of Individual Keyword Performance in Paid Search Advertising <i>Randolph Bucklin, Oliver Rutz</i></p> <p>Will the RSS Feeds Increase or Decrease the Website Profitability? <i>Dan Ma</i></p>	<p>FC06 Word-of-Mouth in the Online World</p> <p>Seminar Room 2.6 (Rm 2013)</p> <p><i>Chair: Hikaru Yamamoto</i></p> <p>Word-of-Mouth Dialogue and Consumer Decision Making <i>Kerimcan Ozcan, Venkat Ramaswamy</i></p> <p>Do People Interact with Blogs? An Analytical Model of online Word-of-Mouth Effectiveness <i>Mihai Orzan, Gheorghe Orzan, Alin Angheluta</i></p> <p>An Empirical Analysis of Diffusion through Trust Network <i>Hikaru Yamamoto, Yutaka Matsuo</i></p>	<p>FC07 Market Research II: Economic Methodology</p> <p>Seminar Room 2.7 (Rm 2014)</p> <p><i>Chair: Aurelie Lemmens</i></p> <p>Bayesian Spatial Analysis of Ordered Successive Categories Preference Data in Marketing Research <i>Duncan Fong, Wayne DeSarbo, Joonwook Park, Crystal Scott</i></p> <p>Specification of Spatial Models: Analysis, Comparisons, Suggestions <i>Stanislav Stakhovych, Tammo Bijmolt</i></p> <p>Accounting for Sample Effects in Structural Equations Models: A Process Model <i>Boris Blechschmidt, Klaus Backhaus, Maik Eisenbeiss</i></p> <p>Decomposing Granger Causality over the Spectrum <i>Aurelie Lemmens, Christophe Croux, Marnik Dekimpe</i></p>	<p>FC08 Auctions: Models and Market Structure</p> <p>Seminar Room 2.8 (Rm 2015)</p> <p><i>Chair: Srinivas Reddy</i></p> <p>Non-Linear Effect of Reserve Prices on Selling Prices in Online Auctions <i>Peter Popkowski Leszczyc, Dawit Zerom</i></p> <p>Dynamic Forecasting of Prices in Online Art Auctions <i>Mayukh Dass, Shanshan Wang, Wolfgang Jank, Srinivas Reddy, Galit Shmueli</i></p> <p>Exploring Market Structure of Heterogeneous Products Using Bidder Behavior in Online Auctions <i>Srinivas Reddy, Mayukh Dass</i></p>

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<p>FC09 Bundling, Branding and Choice</p>	<p>FC10 Manufacturers – Multiple Retailers Interaction</p>	<p>FC11 Pricing VII – Pricing & Game Theory</p>	<p>FC12 Public Policy & Marketing I</p>
<p>Seminar Room 3.1 (Rm 3001)</p> <p><i>Chair: Benjamin Kartono</i></p> <p>Packaging: are Consumers Paying for Price Discrimination, Service provision or Both <i>Roger Betancourt, Rebecca Hamilton, Olga Dorokhina</i></p> <p>An Experimental Design to Determine How Consumers Evaluate a Product Bundle on the Internet <i>Rahul Sett, Arvind Sahay</i></p> <p>Brand Bundling: The Role of Brand Equity in Bundle Choice <i>Benjamin Kartono, Vithala Rao</i></p>	<p>Seminar Room 3.2 (Rm 3003)</p> <p><i>Chair: Benaissa Chidmi</i></p> <p>Slicing the Profit Pie: A Structural Model of Manufacturer and Retailer Competition <i>Kanishka Misra, Karsten Hansen, Eric Anderson, Vincent Nijs</i></p> <p>Quantity Commitment, Endogenous Competition, and Downstream Economic Rents <i>Desmond Ho-Fu Lo, Mrinal Ghosh, Francine Lafontaine</i></p> <p>The Role of Retail Services In Food Market Equilibrium <i>Benaissa Chidmi, Rigoberto Lopez</i></p>	<p>Seminar Room 3.3 (Rm 3005)</p> <p><i>Chair: Teck Ho</i></p> <p>"Let Me Talk to My Manager Again": Competitive Implications of Haggling <i>Tony Cui, John Zhang</i></p> <p>Are Prices Sticker Downwards? Understanding the Rockets and Feathers Phenomenon <i>Hong Yuan, Song Han</i></p> <p>A Behavioral Theory of Pricing <i>Teck Ho</i></p>	<p>Seminar Room 3.4 (Rm 3007)</p> <p><i>Chair: Sourav Ray</i></p> <p>Agency Representation and Outcomes in Real Estate Markets <i>Kristin Rotte, Murali Chandrashekar</i></p> <p>Spatial Analysis of Consumption Behavior <i>Minakshi Trivedi, Sharmistha Bagchi-Sen</i></p> <p>Electronic Shelf Labels (ESL): Implications for Retailers, Prices, and Pricing <i>Sourav Ray, Mark Bergen, Daniel Levy</i></p>
<p>FC13 Market Research III: Latent Class Methods</p> <p>Seminar Room 3.7 (Rm 3026)</p> <p><i>Chair: Andres Musalem</i></p> <p>A Rank-Ordered Logit Model with Unobserved Heterogeneity in Ranking Capabilities <i>Bram van Dijk, Dennis Fok, Richard Paap</i></p> <p>Reducing the Optimal to an Useful Number of Clusters for Model Based <i>Pascal van Hattum, Herbert Hoijtink</i></p> <p>Modeling Response Styles in Cross-Cultural Research: A Latent-Class Bilinear Multinomial Logit Model <i>Joost van Rosmalen, Hester van Herk, Patrick J. F. Groenen</i></p> <p>An Ecological-Inference Model for Drawing Conclusions about Individuals from Aggregate Data <i>Andrés Musalem, Wagner Kamakura</i></p>	<p>FC14 Response Models</p> <p>Seminar Room 3.8 (Rm 3028)</p> <p><i>Chair: Jitendra Kumar Das</i></p> <p>Pooling Time Series and Cross Sectional Data for the Analysis of Dynamic Marketing Systems <i>Csilla Horvath, Jaap Wieringa</i></p> <p>Customization of Online Promotions across Multiple Categories <i>Feray Adiguzel, Jie Zhang, Michel Wedel</i></p> <p>The Influence of Carryover Specification and Estimation on Budget Allocation – A Simulation Study <i>Dennis Propppe, Sönke Albers</i></p> <p>An Approach to Model Impact of Marketing Effort on Market Share in a Transition Market <i>Jitendra Kumar Das</i></p>	<p>FC15 Sales Force Management I</p> <p>Seminar Room 3.9 (Rm 3029)</p> <p><i>Chair: Qiang(Steven) Lu</i></p> <p>Designing Optimal Sales Contests: Does the Prize Structure Matter? <i>Noah Lim, Michael Ahearne, Sung Ham</i></p> <p>Measuring the Outcomes of Sales Teams: Does Training Really Pay-Off? <i>Sujana Adapa, Jennifer Rindfleish</i></p> <p>Retain Experienced Sales People: Compensate Them More, or Let Them Go? <i>Qiang(Steven) Lu, Ranjit Voola, Jiadong Tong, Xuefei Bai</i></p>	<p>FC16 Market Orientation</p> <p>Seminar Room 3.10 (Rm3031)</p> <p><i>Chair: David Zhang</i></p> <p>Achieving Competitive Advantage in Emerging Economies: Market Orientation versus Managerial Ties <i>Julie Li, Kevin Zhou, Alan Shao</i></p> <p>How Strategic Orientations Influences the Building of Dynamic Capability in Emerging Economies <i>Bingxin Li, Kevin Zhou</i></p> <p>Market Orientation, Customer Selectivity and Organizational Performance <i>Aamir Khan</i></p> <p>Follow the Market, or the Gut <i>David Zhang</i></p>

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Friday, June 29, 2007 3:30-5:00pm (Session FD)

<p>FD01 Special Session: The Generation and Sales Growth of Life Science Innovations</p>	<p>FD02 Special Session: Internet Marketing</p>	<p>FD03 Conjoint I</p>	<p>FD04 Topics in CRM</p>
<p>Seminar Room 2.1 (Rm 2001)</p> <p><i>Chair: Stefan Stremersch</i></p> <p>Introduction to Special Session: Marketing and Health <i>Stefan Stremersch</i></p> <p>Marketing Technologies – Drivers of Licensing Success in the Biopharmaceutical Industry <i>Stefan Wuyts, Shantanu Dutta</i></p> <p>Competitive Response to Radical Product Innovations <i>Rajesh Chandy, Om Narasimhan, Edward Blair, Khaled Aboulnasr</i></p> <p>The Effects of Generic and Branded Advertising Messages for a New Prescription Pharmaceutical <i>Demetrios Vakratsas, Ceren Kolsarici</i></p> <p>Modeling the International Sales Growth of New Drugs: The Role of Economics, Culture and Regulation <i>Stefan Stremersch, Aurelie Lemmens, Walter Van Dyck</i></p>	<p>Seminar Room 2.2 (Rm 2002)</p> <p><i>Chair: Arvind Rangaswamy</i></p> <p>Equilibrium Bidding Strategies in Online Advertising Auctions: A Dynamic Perspective <i>Xiaoquan Zhang, Juan (Jane) Feng</i></p> <p>A Critical Examination of Performance-Based Compensation Practices in Search Engine Marketing <i>Tanja Stepanchuk, Eva Gerstmeier, Bernd Skiera</i></p> <p>Marketing Science and Search Engines <i>Arvind Rangaswamy</i></p> <p>Product Design and the Customer Experience: Insights from the US Automobile Market <i>Arvind Rangaswamy, Raji Srinivasan, Gina Pingitore, Dan Seldin, Gary L. Lilien</i></p>	<p>Seminar Room 2.3 (Rm 2004)</p> <p><i>Chair: Song-Oh Yoon</i></p> <p>Availability versus Attribute Cross Effects in Choice Based Conjoint Designs <i>James Wiley</i></p> <p>A Conjoint Approach to Multi-Part Pricing <i>Raghuram Iyengar, Rajeev Kohli, Kamel Jedidi</i></p> <p>The Moderating Role of Response Task in the Self-Reported and Estimated Attribute Importance Relationship <i>Kwanho Suk, Song-Oh Yoon</i></p>	<p>Seminar Room 2.4 (Rm 2005)</p> <p><i>Chair: Rajkumar Venkatesan</i></p> <p>Failure and Success of CRM Strategies. An Empirical Examination of Antecedents and Consequences <i>Enrico Valdani, Fabio Ancarani, Cristina Zanetti</i></p> <p>A Research of the Behavioral Sequence of Information Education Services Industry in Taiwan <i>Wang Stephen</i></p> <p>Customer Value-based Management: Competitive Implications <i>Upender Subramanian, John Zhang, Jagmohan Raju</i></p> <p>The Role of Attitudes in CRM <i>Rajkumar Venkatesan, Werner Reinartz, Nalini Ravishanker</i></p>
<p>FD05 Pricing Issues in e-Markets</p> <p>Seminar Room 2.5 (Rm 2012)</p> <p><i>Chair: Thorsten Posselt</i></p> <p>The Impact of Social Network Structure on Name-Your-Own-Price Markets <i>Martin Spann, Oliver Hinz</i></p> <p>Sensitivity of Profits to Deviations from the Optimal Bidding Strategy in Search Engine Marketing <i>Eva Gerstmeier, Bernd Skiera, Tanja Stepanchuk</i></p> <p>Rating e-Tailers' Money-Back Guarantees <i>Thorsten Posselt, Eitan Gerstner, Dubravko Radic</i></p>	<p>FD06 Competing on Marketing Mix Elements II</p> <p>Seminar Room 2.6 (Rm 2013)</p> <p><i>Chair: Ramanathan Subramaniam</i></p> <p>Corruptible Advice <i>Ganesh Iyer</i></p> <p>Limited Edition Products: When and When Not to Offer Them? <i>Axel Stock, Subramanian Balachander</i></p> <p>Service Provision in a Vertically Differentiated Competitive Marketplace <i>Yuanfang Lin, Dmitri Kuksov</i></p> <p>Quantity Discounts in Differentiated Consumer Product Markets <i>Ramanathan Subramaniam, Esther Gal-Or</i></p>	<p>FD07 Market Research IV: Economic Methodology</p> <p>Seminar Room 2.7 (Rm 2014)</p> <p><i>Chair: Gilles Laurent</i></p> <p>The Generalized Long-Term Impact of Marketing <i>Shijin Yoo, Koen Pauwels</i></p> <p>The Varying Coefficient Model as a Non-Parametric Alternative for Capturing Moderating Effects <i>Maik Eisenbeiss, Klaus Backhaus, Markus Cornelissen</i></p> <p>Local Effect Analysis to Optimize Direct Marketing Action <i>Gilles Laurent, Ganael Bascoul</i></p>	<p>FD08 Auction: Bidding Behavior</p> <p>Seminar Room 2.8 (Rm 2015)</p> <p><i>Chair: Michal Herzenstein</i></p> <p>Learning by Losing: An Empirical Study of Bidding Effort Evolution in Auctions <i>Xin Wang, Ye Hu</i></p> <p>Pay-What-You-Want – Assessment of a New Radical Pricing Mechanism <i>Ju-Young Kim, Martin Natter, Martin Spann</i></p> <p>A Study of Bidding Behavior in Peer-to-Peer Online Lending Auctions <i>Michal Herzenstein, Utpal Dholakia, Evgeny Lyandres</i></p>

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Friday, June 29, 2007 3:30-5:00pm (Session FD)

<p>FD09 Market Research V: Survey Methodology</p> <p>Seminar Room 3.1 (Rm 3001)</p> <p><i>Chair: Chun-Yao Huang</i></p> <p>Combining Cross Sectional Market Research Surveys: An Application of Statistical Matching <i>Catherine Bentham</i></p> <p>Panel Design Effects on Response Rates and Response Quality <i>Rene Segers, Philip Hans Franses</i></p> <p>A Study on Biases in Self-reported Behavioral Frequency <i>Chun-Yao Huang</i></p>	<p>FD10 Modeling Social Networks and Contagious Effects</p> <p>Seminar Room 3.2 (Rm 3003)</p> <p><i>Chair: Xavier Dreze</i></p> <p>Modeling Dynamic Customer Interdependencies <i>Oded Netzer, Jonathan Zhang</i></p> <p>Did They Tell Their Friends? – Using Social Network Analysis to Detect Social Contagion Processes <i>Christian Barrot, Sönke Albers</i></p> <p>Network Effects in Defection <i>Xavier Dreze, Andre Bonfrer, Jeongwen Chiang</i></p>	<p>FD11 Pricing VIII –Asymmetry</p> <p>Seminar Room 3.3 (Rm 3005)</p> <p><i>Chair: Andre Bonfrer</i></p> <p>Asymmetric Price Impact of Quality: Dimensions, Measurement, and Modeling <i>K Sivakumar</i></p> <p>Negative Asymmetry in Pricing Patterns in Online High Tech Shops <i>Charles Wood, Paul Messinger, Sourav Ray</i></p> <p>The Asymmetric Share Effect and Absolute Cross Effects: A Re-Examination <i>Andre Bonfrer, Alvin Silk, Ernst Berndt</i></p>	<p>FD12 Incentives and Social Networks</p> <p>Seminar Room 3.4 (Rm 3007)</p> <p><i>Chair: Christian Pfeil</i></p> <p>Customers as Sales Agents: Selling through Group-Buying <i>Xiaoqing Jing, Jinhong Xie</i></p> <p>A Penny for Your Peer: Estimating the Customer Enhancing Effect of Referral Rewards <i>Dubravko Radic, Thorsten Posselt</i></p> <p>Do Incentivized Referral Programs Really Work? <i>Patricia Chew, Siok Kuan Tambyah, Jochen Wirtz</i></p> <p>Couponing vs. Word-of-Mouth: Optimal Coordination of Marketing Policies <i>Christian Pfeil, Thorsten Posselt, Dubravko Radic</i></p>
<p>FD13 Important Consumer Behavior Issues in Retailing</p> <p>Seminar Room 3.7 (Rm 3026)</p> <p><i>Chair: David Bednall</i></p> <p>Sold Out Yet Not Fade Out: Effects of Soldout Products on Consumers' Choice <i>Xin Ge, Paul Messinger, Jin Li</i></p> <p>Towards a Theory of Consumer Routinization <i>Adeline Ong</i></p> <p>Consumer Responses to Free Service Trial Offers <i>David Bednall, Krongjit Laochumnanvanit, Harmen Oppewal</i></p>	<p>FD14 Model Based Approaches to Bundling</p> <p>Seminar Room 3.8 (Rm 3028)</p> <p><i>Chair: Rabikar Chatterjee</i></p> <p>Searching Appropriate Market Basket Ensembles with Data-Driven Methods Compared to Ad Hoc Solutions <i>Yasemin Boztug, Thomas Reutterer</i></p> <p>How Less Can Be More: Hyper-Subadditivity in Bundle Valuation <i>John Pracejus, Peter Popkowski Leszczyc, Michael Shen</i></p> <p>Effect of Cross Buying Discounts on Promotional Competition <i>Bikram Ghosh, Subramanian Balachander</i></p> <p>ICEPORT: An Incentive Compatible Approach for Measuring Reservation Prices for Product Portfolios <i>Rabikar Chatterjee, R Venkatesh</i></p>	<p>FD15 Sales Force Management II</p> <p>Seminar Room 3.9 (Rm 3029)</p> <p><i>Chair: Jorge Wise</i></p> <p>Delegation of Pricing Authority to the Sales Force <i>Simone Schmidt, Manfred Krafft</i></p> <p>How Personal Selling Impacts Sales: A Meta-Analysis of Response Models <i>Shrihari Sridhar, Sönke Albers, Murali Mantrala</i></p> <p>Sellers' Individual and Group Differences in Ethics <i>Jorge Wise</i></p>	<p>FD16 CLV and Cross-Selling</p> <p>Seminar Room 3.10 (Rm3031)</p> <p><i>Chair: Shibo Li</i></p> <p>Purchase and Return of Regular and Cross-Category Products <i>Siddharth Singh</i></p> <p>Customer's Profitability Over Time In the Presence of Switching Costs <i>Irit Nitzan, Barak Libai</i></p> <p>Measuring Customer Lifetime Value when Purchase Behavior is Heterogeneous and Dynamic <i>Jaime Romero de la Fuente, Berend Wierenga, Ralf van der Lans</i></p> <p>An Empirical Analysis of Customized and Dynamic Cross-Selling Campaigns <i>Shibo Li, Alan Montgomery, Baohong Sun</i></p>

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Saturday, June 30, 2007 8:30-10:00am (Session SA)

<p>SA01 Special Session: Privacy, Marketing Strategy, and Policy</p> <p>Seminar Room 2.1 (Rm 2001)</p> <p><i>Chair: Ivan Png</i></p> <p>Social Interaction, Marketing Avoidance, and the Do Not Call Registry <i>Ivan Png, Kai-Lung Hui, Khim Yong Goh</i></p> <p>Competition for Customer Information: Online Personalization in the Presence of Privacy Concerns <i>Raymond G. Sin, Ramnath K. Chellappa</i></p> <p>A Regulatory Focus Approach to Examine Biometric Privacy Concerns <i>May Lwin, Jerome Williams, Jochen Wirtz</i></p> <p>Is There a Cost to Privacy Breaches? <i>Alessandro Acquisti, Allan Friedman, Rahul Telang</i></p>	<p>SA02 International Marketing IV</p> <p>Seminar Room 2.2 (Rm 2002)</p> <p><i>Chair: Stefanie Whitmore</i></p> <p>Co-Marketing: Manage Risk and Maximize Results in Marketing <i>Nipun Agarwal</i></p> <p>Universal Semiotic Appeals in International Fragrance Advertising <i>Stefanie Whitmore, Marc Fetscherin</i></p>	<p>SA03 Charity and Cause Marketing</p> <p>Seminar Room 2.3 (Rm 2004)</p> <p><i>Chair: Aradhna Krishna</i></p> <p>A Dynamic Model of Guilt as Driver of Response to Charitable DM <i>Merel van Diepen, Bas Donkers, Philip Hans Franses</i></p> <p>Consumer Perceptions of and Donation Intentions to International Relief Organizations <i>Chen-Yi Yen, Jane Lu Hsu</i></p> <p>Cause-Marketing – Noble or Insidious? <i>Aradhna Krishna</i></p>	<p>SA04 Marketing Generalizations</p> <p>Seminar Room 2.4 (Rm 2005)</p> <p><i>Chair: Raj Sethuraman</i></p> <p>It's 50/20, not 80/20, for Consumer Packaged Goods Purchasing <i>Jikyung Kim, Nader Tavassoli, Bruce Hardie</i></p> <p>Generalizations on Pharmaceutical Marketing Effectiveness <i>Sara Kremer, Tammo Bijmolt, Peter Leeflang, Jaap Wieringa</i></p> <p>How Widespread is Cost-Based Pricing? Meta-Analytic Evidence on its Proportion and Antecedents <i>Paul Ingenbleek, Inge Geyskens</i></p> <p>"TIE"ing up Empirical Generalizations in Price Promotion Decisions <i>Raj Sethuraman, BPS Murthi</i></p>
<p>SA05 Network Effects and e-Marketing</p> <p>Seminar Room 2.5 (Rm 2012)</p> <p><i>Chair: Nan Hu</i></p> <p>What Information can Resolve the Chicken and Egg Problem in Two-Sided Networks? A Field Experiment <i>Catherine Tucker, JuanJuan Zhang</i></p> <p>Social Network Externalities and Price Dispersion in Online Markets <i>Edgardo Ayala, Jianan Wu</i></p> <p>Network Structure and the Long Tail of Electronic Commerce <i>Gal Oestreicher-Singer, Arun Sundararajan</i></p> <p>Do Online Reviews Affect Product Sales? The Role of Reviewer Characteristics and Temporal Effects <i>Nan Hu, Ling Liu, Jennifer Zhang</i></p>	<p>SA06 Product Line Management</p> <p>Seminar Room 2.6 (Rm 2013)</p> <p><i>Chair: Michaela Draganska</i></p> <p>Retailer's Product Line Design in a Vertically Differentiated Product Category <i>Hwan Chung, Eunkyu Lee</i></p> <p>Product Line Design with Non-alignable Attributes <i>Anocha Aribarg, Natasha Zhang Foutz</i></p> <p>Beyond Plain Vanilla: Modeling Joint Pricing and Product Assortment Choices <i>Michaela Draganska, Katja Seim, Michael Mazzeo</i></p>	<p>SA07 The Financial Marketplace and Marketing</p> <p>Seminar Room 2.7 (Rm 2014)</p> <p><i>Chair: Dmitri Markovitch</i></p> <p>The Evolution of Markets: Power Law and Capital Markets <i>P.V. (Sundar) Balakrishnan, James Miller, Gowri Shankar</i></p> <p>Estimating Underlying Customer Preferences: Empirical Modeling and Technical Analysis of STOC data <i>Hyun Shin, Ely Dahan</i></p> <p>Can the Stock Market Predict Sales Takeoff and the Long-Term Survival of Firms? <i>Dmitri Markovitch, Peter Golder</i></p>	<p>SA08 Topics in Social Networks</p> <p>Seminar Room 2.8 (Rm 2015)</p> <p><i>Chair: Anindya Ghose</i></p> <p>Characteristics of Opinion Leaders in Consumer Electronics <i>Frank van Rijnsoever</i></p> <p>A Model of Word-of-Mouth Transmission of New-Product Information Through Social Networks <i>Vincent Mak, Rami Zwick</i></p> <p>The Dimensions of Reputation in Electronic Markets <i>Anindya Ghose, Panagiotis Ipeirotis, Arun Sundararajan</i></p>

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Saturday, June 30, 2007 8:30-10:00am (Session SA)

SA09 Market Research VI	SA10 Retail level Strategies	SA11 Pricing IX	SA12 Public Policy & Marketing II
<p>Seminar Room 3.1 (Rm 3001)</p> <p><i>Chair: Tin Seong Kam</i></p> <p>The Impact from the Multimedia Use on Validity in Market Research - An Investigation for the Usage of Multimedia within Stimuli Presentation <i>Michael Brusch</i></p> <p>GIS as a New Tool for Marketing Research <i>Tin Seong Kam</i></p>	<p>Seminar Room 3.2 (Rm 3003)</p> <p><i>Chair: Yusong Wang</i></p> <p>Strategic Secondary Market Creation and Reactionary New Product Introduction for Durable Goods <i>Hongyan Shi, Udatta Palekar, Yunchuan Liu</i></p> <p>A Dynamic Model of Entry and Vertical Competition on the Economic Rationale of Slotting Allowances <i>Arne Schröder, Daniel Klapper</i></p> <p>Optimal Guaranteed Profit Margins for both Vendors and Retailers in the Fashion Apparel Industry <i>Byong-Duk Rhee, Chang Hwan Lee</i></p> <p>The Competitive Consequences of Using a Category Captain <i>Yusong Wang, Jagmohan Raju, Sanjay Dhar</i></p>	<p>Seminar Room 3.3 (Rm 3005)</p> <p><i>Chair: Neeraj Bharadwaj</i></p> <p>Consumer Choice of Extended Warranty and Purchase Timing for Durable Goods <i>Tao Chen, Baohong Sun</i></p> <p>Consumer Options: Theory and Empirical Application <i>Sridhar Balasubramanian, Barry Bayus, Preethika Suresh</i></p> <p>Dynamic Pricing for Hotel Management with Multiple-Day Stays <i>Ding Qing</i></p> <p>Pricing Strategies for Augmented Products: The Value of Integration and Customization <i>Neeraj Bharadwaj, Frenkel Ter Hofstede</i></p>	<p>Seminar Room 3.4 (Rm 3007)</p> <p><i>Chair: James Chen</i></p> <p>Multi-Stage Decision Consistency in the Public Policy Arena: Examining Patent Office Service Quality <i>Paul Burke, Markus Reitzig</i></p> <p>Consumers' Trust toward Food Safety Certification with Threat of Avian Influenza Outbreak <i>Jane Lu Hsu, Min-Hsin Huang, Kang Ernest Liu</i></p> <p>University Branding at the Singapore Education Hub: Relating the Effects of Marketing Communications to Public Perceptions <i>James Chen, Robin Chee</i></p>
<p>SA13 Online vs. Offline</p> <p>Seminar Room 3.7 (Rm 3026)</p> <p><i>Chair: Lu Hsiao</i></p> <p>A Model of "Search Advertising" in Oligopoly with an Application to Competitive Click Fraud <i>Kenneth Wilbur, Simon Anderson, Yi Zhu</i></p> <p>Going Offline: Analyzing the Entry of Internet-based Firms into the Brick and Mortar World <i>Manish Tripathi</i></p> <p>Large Network Formation and the Structure of the Commercial World <i>Zsolt Katona, Miklos Sarvary</i></p> <p>The Optimal Product Design and Channel Strategies When the Internet Consumers Have a High Valuation <i>Lu Hsiao, Shan-Yu Chou</i></p>	<p>SA14 Supply Chain: Research Issues</p> <p>Seminar Room 3.8 (Rm 3028)</p> <p><i>Chair: Chen Zhou</i></p> <p>An Experimental Investigation of Causal Influences on Specific Investments in Exchange Relationships <i>Manish Kacker, Prabakar Kothandaraman</i></p> <p>The Role of Information Technology in Inter-firm Relationships <i>U. N. Umesh, Pingsheng Tong, Jean Johnson</i></p> <p>Supply Chain Alignment: Examining Buyer Preferences for Outsourced Logistics Services <i>Byron Keating, Tim Coltman</i></p> <p>Formal Control, Trust and Opportunism: A Role-Theoretic Perspective <i>Chen Zhou, Lan Xu</i></p>	<p>SA15 Research in IMC</p> <p>Seminar Room 3.9 (Rm 3029)</p> <p><i>Chair: Akihiro Inoue</i></p> <p>Comparing Marketing Communication Channels <i>Peter Danaher, John Rossiter</i></p> <p>Effective Integration of Marketing and Sales: The Role of Customer Message Management <i>Srinath Gopalakrishna, Timothy Smith, Rabikar Chatterjee</i></p> <p>Studying Visitor Behavior at a Business Trade Show to Assess Value Creation <i>Srinath Gopalakrishna, Gary L. Lilien, Shrihari Sridhar</i></p> <p>Cognitive Knowledge Construction as Effectiveness Measure of Cross-Media Marketing-Communication <i>Akihiro Inoue</i></p>	<p>SA16 Channels and Distribution Strategy</p> <p>Seminar Room 3.10 (Rm3031)</p> <p><i>Chair: Maggie Chuoyan Dong</i></p> <p>Impact of Channel Conflict on Channel Efficiency: Few Improvised Conceptual Models <i>Ramendra Singh</i></p> <p>Channel Structure for Durable Products under Extended Producer Responsibility <i>Sudheer Gupta</i></p> <p>Channel Governance System in China: Fairness as Heuristic on Distributor Integrity and Channel Trust <i>Maggie Chuoyan Dong, David K. Tse, Flora F. Gu</i></p>

Marketing Science Conference – 2007

Saturday, June 30, 2007 10:30-12:00am (Session SB)

<p>SB01 Consumer Learning</p>	<p>SB02 Pharmaceutical Marketing IV</p>	<p>SB03 Conjoint II</p>	<p>SB04 Adoption of New Services</p>
<p>Seminar Room 2.1 (Rm 2001)</p> <p><i>Chair: Douglas Bowman</i></p> <p>A Model of Consumer Decision Making in the Event of Product Harm Crisis <i>Yi Zhao, Ying Zhao, Kristiaan Helsen</i></p> <p>Disentangling Preferences, Inertia, and Learning in Brand Choice Models <i>Sangwoo Shin, Sanjog Misra, Dan Horsky</i></p> <p>Value of Learning and Acting Upon Customer Information <i>Henry Cao, Baohong Sun</i></p> <p>Antecedents and Consequences of Search Patterns across Multiple Channels in Non-Contractual Services <i>Douglas Bowman, Alberto Sa Vinhas</i></p>	<p>Seminar Room 2.2 (Rm 2002)</p> <p><i>Chair: Tat Chan</i></p> <p>To Switch or Not to Switch: Influence of Generics on Physician Prescription Behavior <i>Tulika Bhatia, Lakshman Krishnamurthi, Karsten Hansen</i></p> <p>Evaluating the Impact of Treatment Effectiveness and Side-effects on Prescription Decisions <i>Tat Chan, Chakravarthi Narasimhan, Ying Xie</i></p>	<p>Seminar Room 2.3 (Rm 2004)</p> <p><i>Chair: Meng Su</i></p> <p>Simultaneous Approaches for Model Selection in Latent Class Metric Conjoint Analysis <i>Daniel Baier</i></p> <p>Dynamic Choice-Based Conjoint Analysis <i>Sven Theysohn, Sonja Gensler, Oliver Hinz, Bernd Skiera</i></p> <p>A Continuous Conjoint Analysis for Adoption of New Products with Evolutional Attributes <i>Meng Su, Vithala Rao</i></p>	<p>Seminar Room 2.4 (Rm 2005)</p> <p><i>Chair: Jiwoong Sin</i></p> <p>Does Timing Affect Adoption Likelihood in Consumer Evaluations of a New Service? <i>Qing Wang, Marwa Gad, Scott Dacko</i></p> <p>Do Early Adopters Use More? The Influence of Adoption Timing on Postadoption Usage of a New Service <i>Remco Prins, Philip Hans Franses, Peter C. Verhoef</i></p> <p>Getting to Yes: Retail Adoption Criteria for New Product Introductions <i>Laurens M. Sloot, Yvonne van Everdingen, Peter C. Verhoef</i></p> <p>Marketing Strategies For Product With Cross - Network Externalities <i>Jiwoong Shin, Subrata Sen, Ramesh Arjunji, Steven Strauss</i></p>
<p>SB05 Adoption of New High-Tech – Products and Services</p> <p>Seminar Room 2.5 (Rm 2012)</p> <p><i>Chair: Saji K. B.</i></p> <p>Technology-based Service in Taiwan Retailing Context: A Study of Consumers Adoption <i>Yen-Yu Chen, Yen-Ting Helena Chiu</i></p> <p>Drivers of Adoption for Successive Generations of High Tech Products <i>Maria Kaya, Paul Steffens, Sönke Albers</i></p> <p>Superstars in System Sales: The Effects of Video Game Releases on Console Sales <i>Jeroen Bincken, Stefan Stremersch</i></p> <p>Investigating the Role of Operational Variables in B2B m-Payment Technology Adoption Process <i>Saji K.B.</i></p>	<p>SB06 Price Promotion IV</p> <p>Seminar Room 2.6 (Rm 2013)</p> <p><i>Chair: Sergio Meza</i></p> <p>Manufacturer Vs Retailer: A Study of Promotional Benefits <i>Karthik Sridhar, Minakshi Trivedi</i></p> <p>An Empirical Analysis of Equivalent Rebate Programs <i>Kay-Yut Chen, Juin Kuan Chong, Teck Ho</i></p> <p>Sales Promotions in Econometric Models Revisited <i>Sergio Meza</i></p>	<p>SB07 Topics in e-Marketing</p> <p>Seminar Room 2.7 (Rm 2014)</p> <p><i>Chair: Kerstin Reimer</i></p> <p>Customers' Trust to Virtual Organisation in Medical Sectors <i>Justyna Matysiewicz</i></p> <p>Learning Online Produce Quality <i>V. Taylan Yildiz</i></p> <p>Search Costs, Demand Structure and Long Tail in Electronic Markets <i>Bin Gu, Anindya Ghose</i></p> <p>Forecasting Customer Purchasing Behavior at an Online Media Service Provider <i>Kerstin Reimer, Sönke Albers</i></p>	<p>SB08 Channels and Network Effects</p> <p>Seminar Room 2.8 (Rm 2015)</p> <p><i>Chair: Zhigang Shou</i></p> <p>An Empirical Study of Dealer's Marketing Mix Acquisition in a Distribution Channel <i>Shenyu Li, Siva Balasubramanian, Peter Popkowski Leszczyc</i></p> <p>Network Embeddedness of Dyadic Channel Relationships, TIO and the Impact on Relationship Quality <i>Ramendra Singh</i></p> <p>Trust-Based Governance Mechanism in Social Network: Impact of Relational and Structural Embeddedness <i>Zhigang Shou, Chenting Su, Chen Zhou</i></p>

Marketing Science Conference – 2007

Saturday, June 30, 2007 10:30-12:00am (Session SB)

<p>SB09 Market Structure Analysis</p>	<p>SB10 International Retailing</p>	<p>SB11 Services Marketing I</p>	<p>SB12 Advertising: Model Based Approach</p>
<p>Seminar Room 3.1 (Rm 3001)</p> <p><i>Chair: Joseph Johnson</i></p> <p>Measuring Product Differentiation in Spatial Markets <i>Vera Magin, Oliver Heil</i></p> <p>An Empirical Examination of the "Rule of Three" <i>Can Uslay, Robert Winsor, Ayca Altintig</i></p> <p>Breaking the Tyranny of Time: A Brand Switching Model for All Seasons <i>Joseph Johnson, Edward Ip, Naufel Vilcassim</i></p>	<p>Seminar Room 3.2 (Rm 3003)</p> <p><i>Chair: James Stanworth</i></p> <p>Customer-Store Identification: A Model of Antecedents and Consequences <i>Hong-Wei He, Avinandan Mukherjee</i></p> <p>The Role of Ethnic Accommodation Actions in Ethnic Consumers' Choice of Retail Outlet <i>Yan Huang, Harmen Oppewal</i></p> <p>Differentiation through Service: The Chinese Customer Perspective <i>James Stanworth, Clyde Warden, Chi-Tsun Huang</i></p>	<p>Seminar Room 3.3 (Rm 3005)</p> <p><i>Chair: Catja Prykop</i></p> <p>Dynamic Model of Service Quality and Customer Satisfaction <i>Heidi Rasila, Tommi Rasila</i></p> <p>An Exploration of Dimensions of Thai Consumer's Trust in Banking Service Providers <i>Teerasak Jindabot</i></p> <p>The Role of the Employee in Securing Customer Satisfaction: A Dyadic Multi-Level Study <i>Catja Prykop,</i></p> <p><i>Heiner Evanschitzky</i></p>	<p>Seminar Room 3.4 (Rm 3007)</p> <p><i>Chair: Wanshan Zhu</i></p> <p>TV Commercial Avoidance: Branding, Pacing and Attention <i>Thales Teixeira, Michel Wedel, Rik Pieters</i></p> <p>Informative Advertising and Price Competition in Monopolistic Markets <i>Chuan He, Wilfred Amaldoss</i></p> <p>Dynamic Advertising and Word-of-Mouth Effectiveness in Sequential Distribution of Innovations <i>Norris Bruce, Natasha Zhang Foutz</i></p> <p>Advertisement Revenue Driven News Publisher under Information Asymmetries <i>Wanshan Zhu, Zhengping Wu</i></p>
<p>SB13 Empirical Market Structure</p> <p>Seminar Room 3.7 (Rm 3026)</p> <p><i>Chair: Jorge Silva-Risso</i></p> <p>Product Variety in Two-Sided Market: Insights From Home Video Game Industry <i>Li Sun, Surendra Rajiv, Junhong Chu</i></p> <p>Antitrust Market Definition <i>Fang Wu, Paul Messinger, Terry Elrod</i></p> <p>Consumer Lifestyle, Product Characteristics and the Implication for Product Positioning <i>Hengyuan Zhu, Ligang Yan, Guisheng Wu, Qing Wang</i></p> <p>Consumer Characteristics, Needs and Product Attributes: Identifying the Drivers of Market Structure <i>Jorge Silva-Risso, Zachery Anderson, Alexei Khavaev, Siddarth Sivaramakrishnan</i></p>			

Contributed Sessions

How to Navigate the Contributed Sessions

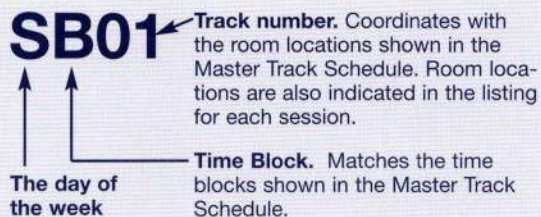
There are four primary resources to help you understand and navigate the Technical Sessions:

- This contributed session listing, which provides the most detailed information. The listing is presented chronologically by day/time, showing each session and the papers/abstracts/authors within each session.
- The Author, Session Chair and Session indices provide cross-reference assistance (pages 101-108).
- The map and floor plans included in the Front Matter show you where technical session tracks are located.
- The "Master Track Schedule" is on the back cover. This is an overview of the tracks (general topic areas) and when/where they are scheduled.

Quickest Way to Find Your Own Session

Use the Author Index (pages 102-105) — the session code for your presentation(s) will be shown. Then refer to the full session listing for the room location of your session(s).

The Session Codes



Time Blocks

Thursday

Session A	8:30-10:00am
Session B	10:30-12:00pm
Session C	1:30-3:00pm
Session D	3:30-5:00pm

Friday

Session A	8:30-10:00am
Session B	10:30-12:00pm
Session C	1:30-3:00pm
Session D	3:30-5:00pm

Saturday

Session A	8:30-10:00am
Session B	10:30-12:00pm

Room Locations

All session rooms are located in the Lee Kong Chian School of Business.

Thursday, 8:30 - 10:00am (Session TA)

■ TA01

Seminar Room 2.1 (Room 2001)

Special Session: To the Memory of Frank Bass

Chair: Eitan Muller, Tel Aviv University, Ramat Aviv, Tel Aviv, TA, 69978, Israel, muller@post.tau.ac.il

1 - Innovation Diffusion and New Product Growth: Beyond a Theory of Communications

Renana Peres, Hebrew University, Mount Scopus, Jerusalem, 91905, Israel, peresren@huji.ac.il, Eitan Muller, Vijay Mahajan

Diffusion of innovations these days is characterized by a complex and rich dynamics involving various types of interactions between customers and firms over time and geographies. In this work we review the diffusion literature since 1990, in order to check to what extent this complexity is represented in research. Our main insight is that the definition of diffusion should be extended and revised from its traditional perception as a theory of interpersonal communications to include social interdependence of all kinds, and not only verbal or written communications. We therefore define diffusion of innovations as the growth of new products and services, which is driven by consumer interdependencies which tie the utilities of various market players together even without their explicit knowledge. In general, these interdependencies can take three forms: Signals, word-of-mouth communications, and network externalities. We review works which deal with several facets of these interdependencies – the internal market dimension in which we focused on turning points and lifecycle of a single market; the spatial dimension, expressed in multinational diffusion; the inter-firm dimension through brand level diffusion; the individual level interactions and their connections to aggregate phenomena; the customer-firm dimension expressed explored in the marketing mix studies and research on specific industries such as services, and entertainment marketing.

2 - Assessing the Impact of Pre-Paid Services on the Diffusion of Mobile Telephony

Jorge Gonzalez, Assistant Professor, IESE Business School, Ave. Pearson 21, Barcelona, 08034, Spain, jgonzalez@iese.edu, Naufel Vilcassim

The increasing globalization of markets has spurred the interest of both marketing practitioners and academic researchers to develop a better understanding of the adoption of new products across countries. Traditionally, the analysis of cross-country diffusion has focussed on the effects of two sets of factors: 1) social and cultural differences and 2) the interactions among the diffusion processes in different countries. However, in neither stream of research has there been a focus on understanding how variations across countries in the actions of firms may have contributed to differing patterns of adoption. Therefore, while acknowledging the importance of economic, cultural, and interaction effects on cross-country diffusion of new products, we are also of the view that it can be equally important to assess how the actions of firms have influenced differentially the diffusion of across countries. To study the effects of the actions of firms in different markets on the diffusion of a new product, we analyze the adoption of mobile telephony in three EU countries: UK, Germany, and France. We develop a model of consumer choice whereby in any period, consumers choose between adopting or not, and if they choose to, then choose between one of two service plans: contract or pre-paid. We also allow for "carry-over" effects to capture dynamic effects induced by firms' actions but are not observed in the data (e.g., quality improvements). We estimate using a random coefficients model the mean consumer's preferences from aggregate market level data on penetration. Using the results of the estimation, we analyze the category expansion and substitution effects of the introduction of prep-paid services and thereby explain the difference in adoption patterns across the three markets

3 - Cross-Country Effects of New Product Takeoff

Dennis Fok, Econometric Institute at Erasmus University Rotterdam, P.O.Box 1738, Rotterdam, ZH, Netherlands, dfok@few.eur.nl, Stefan Stremersch, Yvonne van Everdingen

Knowledge about the time that it takes for new products to takeoff and the factors that influence this process is vitally important for marketing managers. Despite the managerial relevance of new product takeoff, so far only a limited number of studies have focused on this important phenomenon. The literature shows that the number of prior takeoffs in other countries is an important factor in explaining the probability of takeoff. However, it is to be expected that the cross country influence

will not be the same for every pair of countries. The purpose of this paper is to provide insight into the determinants of these cross-country contagion effects related to new product takeoff. In particular, we investigate to what extent takeoff in one country is influenced by the new product launch and takeoff in other countries, and to what extent this influence between countries can be explained by geographical, economic, and cultural variables. Additionally, we explicitly model to what extent countries are expected to be susceptible for cross-country influences. This way we gain insight into the asymmetry of influences between the countries. We estimate the model on a novel data set that captures the diffusion of 8, relatively recently introduced, durables in 55 countries across the world.

4 - Analyzing the Diffusion of Two Interacting Products

Nitin Bakshi, Doctoral Student, University of Pennsylvania, 3730 Walnut Street, Ste 500, Philadelphia, PA, 19104, United States, nbakshi@wharton.upenn.edu, Christophe Van den Bulte, Kartik Hosanagar

We study the diffusion of two products, where the installed base of each product affects the diffusion rate of not only itself, but also the other product. The direction of inter-product interaction can be positive or negative, i.e., the installed base of one product could be reinforcing or impeding the diffusion rate of the other, and vice versa. Note, the framing and analytical approach also applies to the diffusion of one product across two interacting segments. Our diffusion model is characterized by the same system of equations as that studied earlier by Peterson and Mahajan (1978). Since this system does not have a generalized closed-form solution, we describe an analytical method based on the field of dynamical systems in mathematics, to determine equilibrium points of the joint diffusion process and characterize their stability properties. We do this for cases of asymmetric interaction (+/-), mutually impeding interaction (-/-) and symbiotic interaction (+/+) between the two products. Further, we provide a means to identify the regions with different convergence behavior, i.e., to identify boundaries for regions within which all trajectories converge to a particular equilibrium point. These boundaries are called separatrices (Hubbard and West 1995). Finally, we illustrate the ability of our analytical approach to derive managerial insights by studying the effectiveness of two strategies in the context of asymmetric (+/-) interaction between two products: (1) "seeding," i.e., using free samples or subsidies to support the launch of the product being harmed by the other product, and (2) "demand control," i.e., purposely limiting the diffusion ceiling of the product harming the diffusion of the other product.

■ TA02

Seminar Room 2.2 (Room 2002)

Implicit and Explicit Memory

Chair: Melanie Dempsey, Assistant Professor of Marketing, Ryerson University, School of Business Management, 350 Victoria Street, Toronto, ON, M5B2K3, Canada, mdempsey@ryerson.ca

1 - Consumer Hypocrisy in Ethical Decision Contexts: Exposing the Discrepancy Between Explicitly Stated and Privately-Held Beliefs About the Ethicality-Functionality Relationship

Raj Raghunathan, Assistant Professor, University of Texas-Austin, CBA 7.232, The McCombs School of Business, Austin, TX, 78749, United States, raj.raghunathan@mcombs.utexas.edu, Michael Luchs, Julie Irwin, Rebecca Naylor

While consumers often profess support of ethical product alternatives, the current research sheds some light on the discrepancy between what consumers explicitly say vs. what their market behavior suggests they implicitly believe. Objective information about a product's performance, or effectiveness, is often not available to consumers. As such, consumers frequently make inferences about product effectiveness based on available information. Across three studies, we expose a discrepancy between consumers' explicitly stated beliefs and their privately held ones. Whereas consumers' explicit inferences suggest that they believe in a positive correlation between product ethicality and product effectiveness, consumers' privately held beliefs, obtained using a projective technique and manipulations that enhance the salience of the accuracy motive, reveal the opposite. We posit that, whereas explicitly stated inferences are determined by the motivation of self-presentation, the privately held ones are determined by a belief—learned from social messages—that ethicality and effectiveness are compensatory attributes. These results add to the literature on inference making and illustrate the complexity of understanding consumer beliefs in an ethical product context.

2 - Consumer Conviction and the Intention-Behavior Link

Murali Chandrashekar, Professor, Australian Graduate School of Management, UNSW, Gate 11 Botany St, Kensington, NS, 2052, Australia, muralic@agsm.edu.au, Kristin Rotte, Frank Kardes, Maria Cronley

Research on the intention-behavior link indicates that consumer intentions generally overestimate actual consumer behavior. We theorize that the overestimation of the intention-behavior link may result from ignoring the heterogeneity in the conviction with which intention judgments are professed. We develop a consumer conviction-based intention-behavior model which recognizes that: (a) stated intentions can be decomposed into a magnitude dimension (i.e., the position along a subjective continuum) and an uncertainty dimension (i.e., the lack of conviction with which the intention is held), (b) a significant portion of the population may not have a latent intention to begin with and may generate 'nonattitudes' in response to survey questions, (c) nonattitudes are associated with lower conviction (i.e., higher uncertainty), (d) while some variables (e.g., product evaluation) may influence both dimensions of intentions, a consumer's need-to-evaluate (an individual difference variable that captures the extent to which a consumer spontaneously generates evaluative judgments) and intention accessibility uniquely influence intention conviction, and (e) while strongly-held intentions (i.e., high conviction) translate into subsequent behavior, weakly-held intentions are relatively impotent and therefore discarded. We analyze consumer usage intentions and actual usage behavior data gathered from a standard new product concept test conducted in collaboration with a large US consumer packaged goods firm. The results strongly support the theorizing. A key finding is that a predictive model of intention that ignores intention conviction overestimates, on average, the intention-behavior link by 54%, compared to a model that explicitly incorporates heterogeneity in intention conviction.

3- Memory Reconstruction and Consumer Choice

Dipankar Chakravarti, Professor of Marketing, Leeds School of Business, University of Colorado, UCB 419, Boulder, CO, 80309-0419, Dipankar.Chakravarti@Colorado.edu, Qiuping Li

Memory limitations influence consumer decisions on current and future consumption. Forgetful individuals often take fallible memories of past events as accurate and use these as inferences that drive current and future decisions. Memory based models of bounded rationality (e.g., Mullaianathan 2002) have addressed these issues formally and derived consumption predictions that offer empirical testing opportunities. However, these papers ignore a fundamental property of memory beyond simple forgetting. Recent research (e.g., Braun 1999) shows that memory processes involve significant reconstruction that may create systematically distorted retrieval of prior events. Such reconstructed memories, if used as inputs to current and future consumption decisions, may guide choices and decisions away from a veridical basis. We develop a model of recall incorporating memory distortions as a function of event properties (e.g., vividness), consumer mind states that may be affectively neutral or biased positively or negatively (modeled by corresponding memory distortion functions) and as a function of the current event. We derive the implications of this model for consumers' current and planned choices and test these implications in a lab experiment.

4 - Interactions Between Nonconscious Affect and Cognitions – The Effect on Explicit Attitudes

Melanie Dempsey, Assistant Professor of Marketing, Ryerson University, School of Business Management, 350 Victoria Street, Toronto, ON, M5B2K3, Canada, mdempsey@ryerson.ca, Andrew A. Mitchell

We know that consumers are often unaware of the actual stimuli that influence their decisions (Nisbett & Wilson 1977) and there is growing interest in examining the differential impact of implicit and explicit attitudes on behavior (for a recent review see Gawronski & Bodenhausen 2006). This research investigates the relatively unexplored area of how explicit attitudes emerge from the interaction of product attribute beliefs and nonconscious affect. This research is unique in that participants had access to nonconscious affect and conflicting but relevant product information, a situation which we believe is realistic of what commonly occurs in daily life and provides evidence in support of the idea that there are situations in which nonconscious affect provides the primary basis for attitudes and choice. The nonconscious affect was created by conditioning two hypothetical brands with either positive or negative stimuli in which participants were unaware of the contingencies. We find that participants do not rely solely on either product attribute information or nonconscious affect but under certain situations follow an additive strategy and incorporate nonconscious affect into their explicitly reported attitudes. We also report evidence of both a direct and indi-

rect effect of nonconscious affect on explicit attitudes. For instance, when nonconscious affect is accessible during exposure to product attribute information, it not only influences participants' liking for a brand, but also shapes how participants construe the product category. That nonconscious affect not only influences consumer liking for a brand, but also how consumers construe a product category has important implications particularly since consumers are not able to easily detect this influence.

■ TA03

Seminar Room 2.3 (Room 2004)

Pharmaceutical Marketing I

Chair: Christoph Thiesen, Research Assistant, European Business School, International University, Schloß Reichartshausen, Oestrich-Winkel, 65375, Germany, christoph.thiesen@ebs.de

1 - Gender Differences in Consumer's Response to DTC Advertisements

Sahana Sen, Assistant Professor, Fairleigh Dickinson University, Silberman College of Business, 1000 River Road, H-DH2-06, Teaneck, NJ, 07666, United States, sen@fd.edu

Pharmaceutical companies are spending record amounts on DTC advertisements for prescription drugs, since it was allowed by the FDA a few years ago. The estimated spending on advertisements of all prescription drug brands in 2006 is around US \$4.5 billion. There have been a lot of questions in the public sphere about whether DTC advertising should be allowed and studies undertaken to understand the effect of this on consumers. Marketers have questions of their own, and are interested in knowing how effective DTC advertising is in communicating their message to potential consumers and building their trust. Our preliminary study has shown that consumers vary in their trust of DTC advertising claims, as well as whether they decide to ask their doctor about a drug's benefits and request for a prescription. We found that if a drug advertised was relevant to their needs, women would first turn to their friends and family circle to do their own information gathering before they approached their doctor, while men were more likely to approach their doctors directly. Our findings from an experimental study of the gender differences in the path to building trust in the advertised claims can be useful to marketers in how they communicate with their markets and what they communicate in their ads. We found that marketers realize that gender influences our information processing differentially and they create different advertisements for men vs. women for the same drug. An understanding of the differences in men and women's use of word-of-mouth to build trust in the claims of an advertised drug would help in making their DTC advertising more effective.

2 - Regulatory Exposure of Deceptive Marketing and its Impact on Firm Value

Martha Myslinski, Doctoral Student, Emory University, 1300 Clifton Road, Atlanta, GA, 30322, United States, martha_myslinski@bus.emory.edu, Sundar Bharadwaj, Diana Robertson

Valuation of strategic marketing decisions has received much deserved attention in marketing research. However, the destruction of firm value through marketing actions is poorly understood. Certain unethical marketing decisions, such as the use of deceptive advertising, can have a negative impact on stakeholder attitudes when discovered. The assets that are built through positive associations and trust, such as brand equity and corporate reputation, are damaged. Yet, despite these negative consequences, firms continue such practices. Specifically, the objective of this research proposal is to begin a systematic study of the destruction of firm value resulting from deceptive marketing actions. In order to evaluate the impact of deceptive marketing, it is important to understand the basis on which it is judged unethical. Based on the issue-contingent model of ethical behavior proposed by Jones (1991), we consider a set of variables called moral intensity, which focuses on the nature of the act in question. An event study will be conducted to explore the variation in the stock market valuation due to exposed deceptive marketing practices along four dimensions: magnitude of consequences, social consensus, probability of effect, and concentration of effect. These four dimensions are represented by violations cited by the FDA in letters sent to pharmaceutical firms. In addition, we control for type of media used in the cited campaign, severity of the warning, and brand sales as a percentage of firm revenue. Firm-level data are collected from several secondary sources, such as AdSpender, CRSP and Compustat.

3 - A Model of Interaction Between Detailing and Direct-to-Consumer Advertising in the Prescription Pharm

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The pharmaceutical industry is a very advertising intense industry. This industry has always used sales representatives to target physicians, who are a key link in sales and market share for prescription pharmaceuticals. Since August of 1997 when the Food and Drug Administration eased the restrictions on Direct-to-consumer advertising (DTCA) there has been a dramatic increase in the use of DTCA by pharmaceutical firms to target end customers (patients). DTCA seems to have two different effects on pharmaceutical markets. The first is to inform patients about the availability of drugs for some ailments, thus expanding the market. The second is to persuade patients to talk about specific brands when they meet physicians, with the objective of influencing market share. We consider both effects of DTCA in the presence of a detailing program in a competitive environment. We build a game-theoretic model where firms decide on whether to adopt DTCA and then compete in the marketplace by choosing detailing and DTCA levels. This reveals insights on how firms might allocate resources across multiple marketing channels that have interaction effects.

4 - Pharmacoeconomic Evaluation - A Market Barrier for Drug Innovations in Germany

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On the basis of selected cases, the study analyses the effects of a pharmacoeconomic evaluation as a barrier for granting a privileged reimbursement status to authorised drug innovations in Germany. The purpose of the study is to identify and discuss suitable strategies for the pharmaceutical industry for overcoming the barrier. In 2004 the German legislator established a pharmacoeconomic evaluation of drug innovations. The result of the evaluation forms the basis of the decision about the reimbursement status of a drug innovation within the quasi monopolistic German Statutory Health Insurance (SHI). The legislator's intention is to privilege only "real" drug innovations in the SHI market by granting a complete reimbursement. On the basis of selected drugs the study shows potential effects of the legal regulation on industrial research and development, drug prices and companies' image. In the case of the patented drug Sortis (Pfizer Inc.) the turnover diminished by approximately 70% in 2005 after an unfavourable evaluation had caused the loss of the privileged reimbursement status. As a response Pfizer Inc. launched an aggressive media campaign. However, this strategy was unsuccessful; furthermore the image of the company was damaged. Consequently, alternative strategies for overcoming the barrier are in demand. Strategies like the target-oriented adjustment of pharmaceutical research and development activities, filing of lawsuits or the withdrawal of products from the German market are discussed. The findings reveal, that there is no satisfactory strategy.

■ TA04

Seminar Room 2.4 (Room 2005)

Decision Research I – Prospect Theory

Chair: Rong Chen, Assistant Professor, Tsinghua University, School of Economics and Management, Weilun Building, Tsinghua University, Beijing, B, 100084, China, chenr@sem.tsinghua.edu.cn

1 - The Silver Lining Effect: Formal Model and Experiments

Peter Jarnebrant, Ph.D. Candidate, Columbia Business School, P.O. Box 250497, New York, NY, 10025, United States, poj2101@columbia.edu, Eric Johnson, Olivier Toubia

We perform an analytic and empirical investigation of the silver lining effect (Thaler 1985). This effect predicts that when an outcome consists of a larger loss in conjunction with a smaller gain, keeping the small gain separate in mind results in greater value to the decision maker than does combining the two components into one (smaller) loss. Using prospect theory (Kahneman and Tversky 1979), we derive conditions under which this result holds; we subsequently test some of our predictions experimentally. Our analysis shows that the optimality of keeping losses and gains separate (segregation) versus combining them (integration) depends on the size of the gain, the size of the loss, the loss aversion parameter (λ), and the degree of diminishing sensitivity (i.e., concavity) of the gain component of the prospect theory value function. The empirical part of our paper applies the analysis of the silver lining effect to instant rebates. Instant rebates entail a retailer presenting a price reduction to the customer as a (former) base price and a separate

price reduction, instead of merely presenting a new, lower, price. By the results of Bateman et al. (2004), as well as the concreteness principle (Slovic 1972), we propose that in the case of an instant rebate, the customer treats the base price as a loss and the separate reduction as a gain. In the case of a mere price reduction, the customer instead faces only the (smaller) loss of the new price. We manipulate the loss faced by the decision maker in two ways: first by simply manipulating the presented price, and second by manipulating the decision maker's reference price. We measure the parameter of loss aversion by the procedure of Götte, Huffman, and Fehr (2004). The studies support our analytic results.

2 - Discrete Outcomes and Flat Zones in Value Functions

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The author presents a modification to the value function of prospect theory by relaxing the classical assumption of infinitively sensitiveness. The main differences between the expected utility function and the prospect theory value function are (1) that the latter is defined over gains and losses relative to a reference level, (2) that both gains and losses display marginal diminutions of sensitivity, and (3) that sensitivity is smaller for losses than for gains. However, one of the main assumptions of expected utility theory remains intact in the value function of prospect theory and that is the infinite sensitivity of the "rational man". In this paper the author argues that the discrete nature of choices and outcomes together with the coding of continuous gains (losses) into discrete value regions, what can be called flat zones, might alter the attractiveness of a prospect, and as a consequence, might change the choices and behavior of individuals. Flat zones might occur because either an individual gives an identical value to different perceived gains (or losses) or because he or she gives different valuations to identical gains (or losses). The author first sketches the theoretical consequences of flat zones for the valuation of single and multiple outcomes. Second, he tests the effects of flat zones in a consumer behavior model and thus explores how flat zones affect transaction and acquisition utility of goods.

3 - Weighting of Small Probabilities and Promotional Design

Rong Chen, Assistant Professor, Tsinghua University, School of Economics and Management, Weilun Building, Tsinghua University, Beijing, B, 100084, China, chenr@sem.tsinghua.edu.cn

The paper aims to compare two forms of marketing incentives, premiums and sweepstakes with small chances, on consumer purchase intention, promotion evaluation and product evaluation. Prospect theory postulates that people tend to be risk-seeking when they face a small chance of winning a large amount, which is called "overweighting of small probabilities." It implies that with the same expected value, or promotion budget from a company's view, winning a small probability with a large amount in forms like sweepstakes might be more effective than attaining a sure gain in forms like premiums. However, the author argues that "overweighting of small probabilities" is context dependent, and there is a status quo effect which might be set up by consumers' wealth and value of the promoted product. In specific, the author proposes that sweepstakes with small chances are more effective for high-priced than for low-priced promoted products, in addition, they are more effective when the consumer is richer. The author tests the hypotheses by a mixed experimental design involving 8 products in 4 categories among MBA students and undergraduates respectively. For each product, participants are randomly exposed to the sweepstake (one purchaser can win a car within a month) or the premium (a bottle of mineral water for every unit purchase) condition. In all four categories the results show that the sweepstake is more effective than the premium in selling high-priced products, however, these two have no significant difference in selling low-priced products. Difference between MBA students and undergraduate students also conforms to the hypothesis. The study enriches the literature of contingent weighting and consumer preference reversals, and shows lights on successful promotion design.

TA05

Seminar Room 2.5 (Room 2012)

Adoption in the Digital Domain

Chair: Johanna Lengauer, Assistant Professor (FH), Salzburg University of Applied Sciences, Urstein Süd 1, Puch, A, 5412, Austria, johanna.lengauer@fh-salzburg.ac.at

1 - Technology Acceptance of Digital Games - Model Development and Comparison of Different Age Groups

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In many industrial nations, the current population development leads to a changing population structure in the future. While people are getting

older and older, the birth rate is dropping, inevitably leading to social obsolescence. For Germany, calculations demonstrate that the segment of over 60-year-olds will grow from 25% to around 33% in 2050. As a consequence, older target groups will get more important and suppliers have to consider the specific behaviour and needs of these persons in future. In Germany, for example, the segment of over 50-year-olds in the population has already the largest buying power. Therefore, more and more companies start to optimise their products, services and communication to reach an older audience. Because of the increasing importance of the senior consumers, also many new research questions arise. In the context of digital games - a subset of games; the term digital implies the use of information technology - the adoption criteria of older persons are of great importance. As we will show, these criteria are up to now not explored well, let alone with regard to different generations. Therefore we applied an adapted Technology Acceptance Model (TAM) developed by Hsu and Lu (2003) for online games to the broader scope of digital games and analysed it within different age groups. The model comprises the facets perceived usefulness, perceived ease of use as well as flow, social norms and critical mass. We could show that the different facets influence a consumer's attitude towards using digital games as well his/her intention to use them. We could further show that there are differences between age groups, e.g. a higher positive correlation between perceived usefulness and perceived ease of use in the group of the over 50-years-old.

2 - Determinants of Customer Acceptance of High-Tech Products: Applying the Technology Acceptance Model

Hyun Jung Lee, Ph.D. Candidate, Ewha Womans University, 790-12, Yocksam dong., Kangnam Gu, Seoul, South Korea, evacool1975@naver.com, Jea Hyeon Pae

During the last decades, researches on consumer behaviors in the high-tech markets have become an important part of marketing literature. This literature generates important insights into particular consumption outcomes such as product adoption or rejection. The complexity that consumers face when making decisions about which high-tech product to purchase mainly stems from the rapid change of technology and the variety of alternatives. This study explores the impact of customer's technology experience and innovativeness on the adoption of innovation. Among the many factors affecting technology adoption, two that have received scholarly attention in other context are technology experience and innovativeness of customers. We propose a conceptual model for customer adoption of high-tech products. In this study, we apply Technology Acceptance Model (TAM) to the high-tech product adoption. TAM is one of the most widely accepted models of information technology adoption. According to TAM, IT adoption is influenced by two perceptions: usefulness and ease of use. We extend TAM to the high-tech product context in this research. We expect our conceptual model would extend TAM which has been limited to IT field to the context of high-tech products. With the study, it is also expected to introduce a consumer's perceptive adoption process and to identify key determinants of high-tech adoption.

3 - Upgrade Adoption of Information-Technology Products: Accelerated Failure Time Models

Chi-Tsun Huang, Associate Professor, Department of Marketing and Distribution Management, National Kaohsiung First University of Science and Technology, 2, Juoyue Rd., Nantz District, Kaohsiung, No. 811, Taiwan, yoshi@ccms.nkfust.edu.tw, Chao-Min Hsu, Clyde Warden, James Stanworth

Innovation adoption, particularly radical innovation, is a mainstream topic and has received significant notice in academic research. However, most innovations are incremental in nature in order to match consumers' changing tastes, act as a deterrent to competitive brands, and also to enable firms to generate cash inflows to nurture radical innovations. Thus, exploring the factors that influence current users' upgrading behavior with the release of a new product generation is particularly important. We used the Microsoft XP computer operating system as our research target, since this product is an integrated part of a significant proportion of consumers' daily lives and most computer-related products are released using an incremental approach. In 2002, MS's operating system won the lion share of the Taiwanese market and it was a transitional time for computer users to determine whether or not to upgrade their systems from Windows Me (or Windows 98) to XP. We deployed a Web survey to explore users' attitudes to upgrading, using Rogers' perspectives on innovation and structured to follow the Technology Acceptance Model. In total we obtained 446 usable questionnaires and employed a series of accelerated failure time (AFT) models to find the critical factors that affected the speed of adopting the upgraded product. The results of the different AFT models converged to show that usefulness and compatibility were the two most influential factors that determined whether or not users would quickly upgrade their product.

4 - Value Dimensions as Antecedents of Mobile Service Adoption and the Moderating Role of Ubiquity

Johanna Lengauer, Assistant Professor (FH), Salzburg University of Applied Sciences, Urstein Süd 1, Puch, A, 5412, Austria, johanna.lengauer@fh-salzburg.ac.at, Astrid Dickinger

Mobile communication has evolved rapidly throughout the last years with diffusion rates of about 80% (Srivastava, 2006). The present study focuses on value dimensions as antecedents of mobile service adoption addressing both hedonic and utilitarian values. The service investigated is mobile television as this service comprises both utilitarian and hedonic aspects and therefore serves as the ideal application to test the research model empirically. The authors employ a framework that entails two stages. First, a model explaining the adoption of mobile TV is developed based on literature review, expert interviews and focus groups. Second, an online-survey tests the model empirically. The results of the literature review indicate that efficiency, entertainment, excellence, design, status and esteem, are main antecedents to the acceptance of mobile TV. The relationship between these value dimensions and acceptance is established in literature (Davis, 1989, Dickinger 2007, Venkatesh, 2003, Kleijnen 2004, 2007, Mathwick 2001, Pura 2004) Furthermore, expert interviews and focus groups revealed that interactivity, individualisation and ubiquity are further important drivers. Because of the specific characteristic of mobile services, autonomy from place and time in the sense of "anywhere" and "anytime", also referred to as ubiquity (Balasubramanian, et al., 2002, Dickinger 2006), the authors investigate the influence of these contextual variables on acceptance and perceived value. Thus, existing value typologies focusing on hedonic and utilitarian value dimensions are extended and validated in this research. Furthermore, the context of the consumer (i.e. place, time, leisure, business) as adoption driver is accounted for. These two aspects add to existing literature.

■ TA06

Seminar Room 2.6 (Room 2013)

Price Promotion I

Chair: Michael Knaf, University of Cologne, Albertus Magnus Platz 1, Cologne, 50923, Germany, knaf@wiso.uni-koeln.de

1 - A Schema Theory Approach to Cooperative Promotions

Hurrem Yilmaz, Assistant Professor, SUNY Oneonta, Ravine Parkway, Netzer 224, Oneonta, NY, 13820, United States, yilmazh@oneonta.edu

The purpose of this study was to investigate the effect of usage-situation-schema in relation to co-promotions. The proposed model of how consumers evaluate co-promotional coupons called for the following steps: 1) usage situation schema is activated, 2) complementarity of products is noted; 2) centrality of products for the usage situation decision is made; 3) if centrality of one of the products fails to be satisfactory then another reason for the products to be used becomes effective, i.e., distinctiveness. Hypothesis 1 stated that consumers would have higher use intention for co-promotion coupons that belong to same usage situation than co-promotion coupons that do not belong to same usage situation. Hypothesis 2 stated that products in the same usage situation would complement each other more than they complement other products that do not belong to same usage situation. Hypothesis 3 proposed that centrality of focal and partner product of co-promotion and coupon use intention are positively related. Hypothesis 4 proposed that distinctiveness of focal and partner product of co-promotion and coupon use intention are positively related. Hypothesis 5 proposed the moderating effect of distinctiveness on the effect of centrality on coupon use intention. The experiment provides evidence of the outcome at each of the three steps and support hypotheses.

2 - Evaluating Personalized Promotions in a Retail Environment

Tarun Bhaskar, Research Scientist, GE India Technology Centre, JFWTC, Bangalore, India, tarun.bhaskar@ge.com, Debasis Bal, Gopi Subramanian, Angshuman Saha

Promotions have always been a critical marketing strategy to ensure growth and profits for any retail organization. The marketing objectives of a retailer can be aligned to three different directions. The first objective is to attract customers to their outlet (acquisition). The second would be to influence the customers' purchase decision in favor of the retailer and the third one would be to increase the frequency of visits and spending rate of the customer in the retail outlet. A product-centric promotion affects the first two objectives on a short-term basis. It has been found that the effects of these promotions die out shortly after the promotion is launched (a period referred to as "dust settling"). The failures and some reasons behind those have been extensively discussed in the literature. One of the reasons for these non-sustainable benefits of the promotions is that they do not address the third objective properly. One way to take care of some of these problems is to have a personal-

ized promotion scheme, which also addresses the third objective discussed above. Some of the questions addressed in this paper are: Does a personalized promotion in a retail environment benefit the retailer? Is a personalized promotion capable of giving a sustainable growth in sales such that the effect of the promotion survives after the dust settling period? Does it increase the frequency of visits and spending rate of the customers? We implement a personalized promotional scheme at a retail outlet and then study the sales data at the outlet to answer the stated questions. The data used to do the analysis are sales data (comparing sales with/without promotion) and some primary data collected from the consumers of the retail outlet as a part of a marketing research survey.

3 - Jealousy and Betrayal Effects of Targeted Promotions - What Drives How Much We Care What Others Get

Michael Knaf, University of Cologne, Albertus Magnus Platz 1, Cologne, 50923, Germany, knaf@wiso.uni-koeln.de, Kristina Klein, Karen Gedenk

Targeted promotions are a topic of much current research. Both theoretical and empirical research typically assumes that a consumer reacts only to promotions offered to her. However, Feinberg, Krishna, and Zhang (2002) have shown that consumers also pay attention to the promotions others get. They formulate a model of aware consumers that includes two behaviorist effects of targeted promotions: loyal consumers may feel betrayed when their firm offers promotions to switchers, and they may feel jealous when another firm offers promotions to their loyal consumers. However, little is known about how strong these betrayal and jealousy effects are. In many markets it is likely that consumers are aware of promotions offered to others. Especially for products sold over the internet, information can spread very fast through new communication instruments (e. g., chat rooms, e-mail). At the same time, some managers who use targeted promotions seem not to worry about jealousy and betrayal effects. This may be due to the fact that these effects do not occur to the same degree for all promotions and all customers. This is the starting point for our research. We want to identify what drives the strength of jealousy and betrayal effects of targeted promotions. In particular, we study the effect of the depth of the promotional discount and of several consumer characteristics on the strength of jealousy and betrayal effects. We run a large scale experimental survey, in which we systematically vary the promotions, and measure consumer characteristics. We measure jealousy and betrayal effects directly (by asking respondents if they feel jealous or betrayed) as well as indirectly (through the impact of promotions targeted to others on brand choice).

■ TA07

Seminar Room 2.7 (Room 2014)

Loyalty Programs I

Chair: Praveen Kopalle, Associate Professor, Dartmouth College, 100 Tuck Hall, Hanover, NH, 03755, United States, praveen.kopalle@dartmouth.edu

1 - Linking Loyalty to Financial Measures in a B2B Market

Paulo Costa, Analytics Manager, CISCO, 10617 Versailles Blvd., Wellington, FL, 33467, United States, costa@cisco.com, Anu Ranganath

With companies anxious about retention of their top customers, the race is on to understand the financial impact of customer loyalty. Loyalty is measured frequently using customer responses to key questions like: likelihood to recommend, increased year over spending, and commitment to the brand. Cisco Systems, Inc. has a mature customer loyalty measurement process that dates back several years. We explored the existence of linear and non linear relationship between loyalty index, revenue growth and Cisco wallet share in different levels of customer aggregation and time lags. The preliminary results, indicating a positive and significant relationship, have been very effective supporting and directing several efforts to improve Cisco Systems, Inc. service. It has also spearheaded an effort for additional analysis to examine, among other things, the relationship between employee loyalty's and customer loyalty.

2 - A Dynamic Structural Model of the Impact of Loyalty Programs on Customer Behavior

Praveen Kopalle, Associate Professor, Dartmouth College, 100 Tuck Hall, Hanover, NH, 03755, United States, praveen.kopalle@dartmouth.edu, Scott Neslin, Baohong Sun, Vanitha Swaminathan, Yacheng Sun

We develop and estimate a dynamic structural model to determine the impact of loyalty programs on customer behavior. We consider both the frequency reward and customer tier components that characterize these programs. The frequency reward component is of the form "Buy X

times, get one free," that is common to many programs in the airline, retail, hotel, and entertainment industries. The customer tier component delivers for an extended period of time a bundle of enhanced services such as dedicated phone lines, faster service etc. to customers who qualify for membership in a given tier. The frequency reward is ephemeral and requires the customer to proactively cash in points to receive the reward, while the customer tier reward is ongoing, and customers are automatically assigned their status in the customer tier component. We model the customer purchase and cash-in decisions, as well as rewarded behavior, state dependence, and heterogeneity effects in a dynamic setting. Our findings are that a two-segment dynamic model fits the data best, and the fit holds up in validation data testing. The segments are interpreted as a deal-prone segment that values the frequency reward more than the customer tier programs, and a service-oriented segment that attaches a net negative value to the frequency reward but highly values the customer tier. Among our findings is that the frequency reward component of the reward program yields a net decrement in paid purchases, while the customer tier component increases paid purchases. Finally, we conduct policy simulations to examine the impact of loyalty programs on customer behavior with respect to expected paid versus free flights.

■ TA08

Seminar Room 2.8 (Room 2015)

Innovation Adoption

Chair: Sangman Han, Professor, Sung Kyun Kwan University, Myung Ryun-Dong, Jong Ro-Ku, Seoul, South Korea, smhan@yurim.skku.ac.kr

1 - Reference Accounts

David Godes, Harvard University, Morgan 165, Soldiers Field, Boston, MA, 02163, United States, dgodes@hbs.edu

In this paper, we model a manufacturer of a new product of uncertain value and compare the profitability of two common selling formats - simultaneous sale to all customers and sequential sale with declining prices - with a reference account program. The latter is attractive because it fosters the flow of information about the product's underlying quality from buyers to prospects. Our results demonstrate that reference account programs may not provide value to the firm when customers have a linear profit function. When one allows for the customers to be risk averse, then reference programs may be most profitable. Finally, we investigate whether and when the existence of a reference program may serve as a signal of the quality of the underlying product.

2 - The Influence of Contextual Factors on Perceived Usability of Mobile Human-Computer Interactions

Margherita Pagani, Assistant Professor, Università Bocconi, via Bocconi, 8, Milan, 20136, Italy, margherita.pagani@unibocconi.it

This paper investigates the influence of contextual factors on perceived usability of mobile human-computer interactions. It aims to provide an alternative perspective relative to the psychological models employed in IS that explore the role of intrinsic motivation in the technology acceptance process. In this study we (1) review the theoretical framework, (2) propose six hypotheses relating to factors influencing usability of mobile devices, (3) formulate a research model (4) present the results emerging from a two step field-evaluation designed to test the hypotheses. We first conducted an exploratory survey, on a sample of 200 people less inclined to use mobile devices, aimed to identify the main factors influencing perceived usability of the mobile device. An exploratory factor analysis was used to examine the factor structure and help the measures conform to recommended levels of reliability. The second step of the field-evaluation was carried out seven months later on a sample of 500 adopters of a specific mobile device characterised by simplified functionalities. We conducted confirmatory factor analysis to assess the model reliability and validity and tested the emerging research model. Results obtained demonstrated that user satisfaction; effectiveness, perceived usefulness and ease of learning are significant predictors of perceived usability. Applying the fitted logit model we demonstrated that user satisfaction and effectiveness are the two most significant usability factors influencing the decision to adopt the specific mobile device. For practitioners findings can serve as the basis for a sophisticated understanding of mobile adoption related decisions.

3 - The Role of Consumer Hubs in Adoption Processes

Sangman Han, Professor, Sung Kyun Kwan University, Myung Ryun-Dong, Jong Ro-Ku, Seoul, South Korea, smhan@yurim.skku.ac.kr, Donald Lehmann, Jacob Goldenberg, Jae Weon Hong

Hubs are believed to be central, however their influence on diffusion and adoption processes over networks was hardly examined. Using a large and well documented network data with multiple adoption

process in which the adoption of each person in the network is known we examine the role of hubs. We have found that hubs tend to adopt in the earlier stage of the diffusion process. We identified two types of hubs—innovative hubs and follower hubs. We examine their influence on speed of diffusion and the market size. Finally we show how a sample of hubs can offer accurate success failure predictions as early as 5% penetration is occurred.

■ TA09

Seminar Room 3.1 (Room 3001)

Choice - Methodology I

Chair: Sangkil Moon, Assistant Professor, North Carolina State University, College of Management, Department of Business Administration, Raleigh, NC, 27695-7229, United States, smoon2@ncsu.edu

1 - Estimating Preference Distributions From Models of Individual Decision Makers

Towhidul Islam, Associate Professor, University of Guelph, Department of Marketing, Guelph, ON, N1G 2W1, Canada, islam@uoguelph.ca, Jordan Louviere, Paul Burke

Currently popular consumer choice models assumed continuous or discrete distributions of preferences, and based on these maintained assumptions, use the estimation results to infer the distributions and effects. Of course, assumptions can be wrong, and in the case of current models, one must make assumptions simultaneously and jointly about distributions of preference parameters and errors. One or both assumptions could be incorrect. We discuss an approach to estimating models for single persons that avoid assumptions about preference distributions. Once one has such models, one also can test for the adequacy of error assumptions. We demonstrate these new capabilities using two large samples of consumers from an online panel. Each sample provided choice data for either delivered pizza options or airline ticket options. Our approach allows us to estimate how much of the variability in the estimated parameters is due to variability within individual choosers and how much is due to real parameter heterogeneity.

2 - The Generalized Multinomial Logit Model

Michael Keane, Co-Director, Centre for the Study of Choice, University of Technology, Sydney, PO Box 123, Broadway, NS, 2007, Australia, michael.keane@uts.edu.au, Jordan Louviere, Deniz Fiebig, Nada Wasi

The so-called "mixed" or "heterogeneous" multinomial logit (H-MNL) model has become popular in a number of fields, especially Marketing, Health Economics and Industrial Organization. The vector of consumer utility weights on product attributes in this model typically is assumed to have a multivariate normal distribution in the population. So, some consumers care more about some attributes than others, and the IIA property of multinomial logit (MNL) is avoided as segments of consumers will tend to switch among the subset of brands with their most valued attributes. The model is also appealing because it is relatively easy to estimate. Recently a controversy also has arisen about proper specification of H-MNL. Louviere and colleagues argue that much of the heterogeneity in attribute weights is accounted for by a pure scale effect (i.e., across consumers, all attribute weights are scaled up or down in tandem). This implies that choice behavior is simply more random for some consumers than others (i.e., holding the attribute coefficients fixed, the scale of the error term is greater). This would lead to what we call a "scale heterogeneity" MNL model (or SH-MNL). We develop a "generalized" multinomial logit model (G-MNL) that nests SH-MNL, H-MNL and a number of other possible versions of random coefficients logit model that have not received attention in the literature (e.g., if one scales up the mean vector of attribute weights, does one also scale up its variance? Different answers give different models, but the question has not been addressed in the literature). By estimating the G-MNL model on a number of data sets, we provide empirical evidence on which (if any) of the nested versions of mixed logit model provide the best fit to the data.

3 - Modeling Level Changes in Dynamic Variety Seeking: Multinomial Probit Hidden Markov Brand Choice Model

Sangkil Moon, Assistant Professor, North Carolina State University, College of Management, Department of Business Administration, Raleigh, NC, 27695-7229, United States, smoon2@ncsu.edu

In such product categories as food and entertainment products, consumers change their choices among brand alternatives by implicit internal variety seeking along with explicit external factors. To explain such seemingly random but inherently systematic variety seeking behavior, marketing scientists have proposed various models in the context of brand choice using econometric models. In spite of tremendous achievements in the area, tracking down variety seeking level changes over

time has not been fully investigated. To solve this problem, a multinomial probit hidden Markov brand choice model is presented composed of three different methodologies - multinomial probit model, hidden Markov model, and random coefficients model. The hybrid model is primarily aimed at tracking down consumers' unobserved internal level of variety seeking over time. For the purpose of simplicity, it is assumed that there are two levels of internal variety seeking degree - high and low variety seeking states. Under in the high variety seeking state, consumers are more likely to make a choice of less preferred alternatives because they are inclined to try something different. Conversely, under in the low variety seeking state, their decisions will be more influenced by their stable long-term brand preferences. The hidden Markov model component is aimed at tracking down such dynamic variety seeking level changes in each individual because the Markovian nature of variety seeking indicates that the current state of variety seeking is probabilistically determined according to the variety seeking state of the prior time point. The model will be empirically tested using peanut butter data.

■ TA10

Seminar Room 3.2 (Room 3003)

Retailing Space & Location

Chair: Robert Krider, Associate Professor, Simon Fraser University, 8888 University Drive, Burnaby, BC, V3E 2R9, Canada, rkrider@sfu.ca

1 - A Spatial-Lag Random-Effects Hierarchical Model for Store Location Evaluation and Choice

Auke Hunneman, PhD student, University of Groningen, PO Box 800, Groningen, 9700 AV, Netherlands, a.hunneman@rug.nl, Tammo Bijmolt, Paul Elhorst

In this study, we aim to support site selection for new stores by developing a general model in which store, market, and consumer characteristics explain store performance. The proposed model uses data on existing stores in combination with purchase data and consumer demographics at the zip-code level. To get detailed insights in the changes in store performance, we adopt a decomposition framework to investigate how loyalty program members and nonmembers contribute to revenues. Several models are specified to analyze the penetration rate of the chain's loyalty card, members' average number of store visits, as well as their average expenditures per visit. In addition, we model sales to nonmembers, which allows us to predict total sales. Spatial econometrics is used to account for unobserved spatial dependence between observations obtained from neighbouring zip codes. In particular, we develop and estimate several spatial-lag random-effects hierarchical models. We apply the models to three years of sales data from 28 clothing stores belonging to one chain. The chain has a loyalty program aimed at strengthening the relationship with its customers. We demonstrate how the approach can be used for (1) explaining the performance of existing stores, (2) assessing the impact of changes within markets on store performance, (3) identifying opportunities for building additional stores.

2 - Modeling the Purchasing Spatial Behavior in the Hierarchical Structured Shopping Complex

Kayoko Fukasawa, Engineer, NTT DoCoMo, 11-1, Nagata-cho 2-chome, Chiyoda-ku, Japan, fukasawaka@nttdocomo.co.jp

Modeling a customer's purchasing spatial behavior in the shopping complexes is one of the important consumer behavior researches in the marketing science. The retailers and the firms especially have a great interest in the customers' spatial behavior within the shopping facilities. Shoppers walk around the area with looking through the decorated displays and stop by the shops after making choice of their favorite ones. We assumed the customers' shop choice behaviors are made from interaction between the spatial contexts and the in-store promotion such as displays. Therefore their space trajectories are valuable data including their endogenous responses to the spatial contexts to understand the customer's purchasing behavior. We modeled the customer's purchasing spatial behaviors describing the interaction between consumers' decision making mechanisms and the spatial marketing contexts with conditions in the hierarchical structured facility and least amount of empirical data. The purchasing behavior model was on the basis of the discrete choice models such as the multi-nominal logit model (MNL) and nested multi-nominal logit model (NMNL). The models compose three main parameters, the distance, the individual preference, and the allocation of time, as the shops utilities. We designed three types of the model, the floor choice MNL, the shop choice MNL as the partial behavior, and the shop choice NMNL as the total one. We found the following results: The impacts of three utilities depend on the spatial contexts and their interactions with customers' individual contexts. It makes difference whether the partial shopping behavior and the total one. The partial shopping behavior is great affected by the spatial context.

3 - Perceived Agglomeration Benefits and Consumer Choice of Shopping Destination

Harmen Oppewal, Professor, Monash University, Department of Marketing, PO Box 197, Caulfield East, VI, 3145, Australia, harmen.oppewal@buseco.monash.edu.au, Sean Sands

This paper investigates the role of retail agglomeration in consumers' destination choice for pharmacy shopping. Retail agglomeration is a well established but under-researched phenomenon. Stores can benefit from each other's presence and each draw more customers than if they were in separate locations (Arentze et al, 2005). For consumers, retail agglomerations such as shopping centers are attractive because they reduce the cost and time of travel, as shorter and fewer trips are required, and they reduce search costs and uncertainty. Relatively little is known however about how consumers actually perceive and respond to retail agglomeration advantages (Miller et al, 1999; Oppewal and Holyoake, 2003). The purpose of this research was therefore to find out how retail agglomeration affects consumers' shopping perceptions and choices during the shopping process and how these factors impact on planned and impulse buying behavior. The present paper will report findings from a survey asking consumers in selected suburbs in Australia about their last and expected next shopping trip for pharmacy products. The survey recorded respondents' perceptions of the available shopping locations including measures of perceived agglomeration benefits. Using logit analysis the authors assess the contribution of agglomeration benefits to destination choice and purchase incidence.

4 - Empirical Study of Homogeneous Retailer Agglomeration

Robert Krider, Associate Professor, Simon Fraser University, 8888 University Drive, Burnaby, BC, V3E 2R9, Canada, rkrider@sfu.ca, Daniel Putler, Tirtha Dhar, Jose Mora

Automobile dealerships, electronics shops, and bridal boutiques, all selling similar products, often locate close to each other, in spite the anticipation of increased price competition from nearby competitors. Much theoretical research has been done in spatial economics to explain homogeneous retail agglomeration, and many different reasons have been proposed. These include reduction in consumer search costs when there is uncertainty in prices, assortment, or the consumers' own tastes; increased market areas resulting from consumer expectations of price competition or greater assortment; and firms desiring to reduce their own uncertainty in location choice by locating close to similar successful firms. Very little empirical work explores the types of retailers that actually do tend to agglomerate with their direct competitors, nor is there much research that empirically tests the many theories of homogeneous agglomeration. Using a database of more than twenty thousand retailers in Vancouver, we develop a Geographical Information System that allows us to select subsets of retailers on the basis of SIC codes, and assess the degree of clustering using spatial entropy measures. By linking the SIC code with retail format characteristics, especially the nature of the products sold, and descriptive measures for each retailer, we are able to explore the characteristics of retailers that have led to spatial clustering of similar formats. We also explore how the details of the location clusters, such as the size distribution of the clusters, vary with format.

■ TA11

Seminar Room 3.3 (Room 3005)

Pricing I - Willingness to Pay

Chair: Agnieszka Wolk, University of Frankfurt, Mertonstr. 17, Frankfurt/Main, 60054, Germany, a.wolk@wiwi.uni-frankfurt.de

1 - Optimal Nonlinear Pricing in Two-Sided Trade Show Markets

Frauke Hagemester, University of Cologne, Albertus Magnus Platz 1, Cologne, 50923, Germany, frauke.hagemester@wiso.uni-koeln.de, Karen Gedenk

Trade show organizers face a two-sided market. They sell booth space to exhibitors, and tickets to visitors. These two customer groups are inter-related: For exhibitors a trade show is more attractive if it has more visitors, and vice versa. Interrelated demand in two-sided markets makes optimal pricing complex, since prices on both market sides have to be determined simultaneously. Another complexity arises from the fact that demand on trade show markets varies in quantity. I. e., customers not only decide whether to participate but also how many square meters of booth space to buy as an exhibitor, or how many days to spend at the show as a visitor. Thus, it may be attractive for trade show organizers to price discriminate through nonlinear pricing, e. g., by using two-part tariffs. In our work we build on and extend the literature on two-sided markets as well as on nonlinear pricing. Previous research has studied the extent of demand interdependencies in two-sided markets and the drivers of optimal prices in these markets. However, this has not been applied in a decision support context to actually determine optimal prices for a specific company. With respect to nonlinear pricing, methods

have been developed to measure willingness-to-pay functions at the individual level and to determine optimal tariffs based on them. However, this has not been done for two-sided markets, where willingness-to-pay depends not only on the quantity purchased, but also on the number of customers in the other market. We bring these two streams of literature together and determine optimal tariffs for a trade show. We measure willingness-to-pay functions of potential exhibitors and visitors through two surveys. Based on this we compute profit-maximizing nonlinear tariffs.

2 - Retail Competition and the Dynamics of Consumer Demand for Tied Goods

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We empirically investigate the role of retail competition in moderating incentives for price discrimination in markets for tied goods. Goods and services are said to be tied when the purchase of a primary good requires consumers to purchase “tied” or “aftermarket” goods from the same manufacturer. A retailer facing competition in the aftermarket product faces an incentive to raise the price of the primary good relative to those set by the manufacturer. This incentive to distort prices could potentially unravel the manufacturer’s ability to implement profitable price discrimination. We develop a model that can be used to analyze store competition and consumer demand in this setting. Our model of consumer behavior is a parsimonious dynamic discrete choice model in which consumers decide each period to buy razors and blades from the set of stores in the market. The demand system is derived from an underlying model of optimal dynamic consumer decision-making under uncertainty, in which consumers incorporate the effect of their current choices on future payoffs. The link to theory enables us to obtain a valid measure of willingness-to-pay of consumers for razors at each store that incorporates the present value of the stream of future payoffs associated with purchases of blades of the chosen razor. Our preliminary estimates indicate that there is significant heterogeneity in willingness-to-pay for razors in the market. We use the demand estimates to examine the profitability of metering based price discrimination in this market, and to quantify the value to manufacturers and retailers of an incremental razor sale each period. The difference in the latter measure calibrates the extent to which optimal manufacturer prices may be distorted by the retail channel.

3 - An Empirical Comparison of Different Methods to Estimate Willingness-to-Pay Functions

Agnieszka Wolk, University of Frankfurt, Mertonstr. 17,
Frankfurt/Main, 60054, Germany, a.wolk@wiwi.uni-frankfurt.de,
Christian Schlereth, Bernd Skiera

In recent years nonlinear pricing has attracted a lot of attention from academics and practitioners due to increased possibilities of its application in the growing area of service industries. In case of wireless communication, internet access or TV pay-channels providers usually offer a set of optional tariffs that consists of a usage-independent fixed fee and a marginal price. Analysis of nonlinear pricing is, however, very complex and poses many difficulties because of the interdependency between the consumption level and marginal price. Willingness-to-pay functions account for this interdependency and can be used to predict consumer behavior, analyze the effect of price changes on the market as well as to design of the optimal nonlinear pricing scheme. So far, several studies made proposals on how to use survey data to estimate willingness-to-pay functions (Iyengar et al. 2006, Wolk and Skiera 2006). While those studies laid down the foundations for using survey data to estimate willingness-to-pay functions, they suffer from a limited comparison of data gathering and estimation procedures. In this study we review, enhance and compare various methods that use survey data for the estimation of willingness-to-pay functions. First, we focus on the data gathering procedure (i.e., ranking-based conjoint, choice-based conjoint, and contingent valuation) while in the second step we analyze various estimation procedures (i.e., one-step versus two-step procedures). In an empirical study we measure the perceived task difficulty, the time required for accomplishing the task, face, internal and predictive validity. Based on the results we provide recommendations concerning the most reliable and valid procedure for using survey data to estimate willingness-to-pay functions.

■ TA12

Seminar Room 3.4 (Room 3007)

Brand Strategy: Convergence, Alliance and Licensing

Chair: Dae Ryun Chang, Professor, Yonsei University, Sudaemungu Shinchondong, School of Business, Seoul, South Korea,
drchang@yonsei.ac.kr

1 - The Impact of Brand Licensing on Licensor Financial Performance: A Contingency Model

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Firms frequently rely on internal brand extensions as a way to leverage the equity resident in their brands. In recent years, many US firms have increasingly relied on brand licensing as an external form of brand extension for leveraging brand equity. Brand licensing involves a brand owner (licensor) giving another firm (licensee) the right to use the brand on its products. As such, it potentially can damage the brand image and performance. It is therefore important to empirically investigate the effect of brand licensing on a licensor’s overall financial performance, and conditions under which it is greater or smaller. We use the event study method to estimate the effect of brand licensing agreements on a licensor’s overall financial performance as measured by its market capitalization. Furthermore, we argue and test for differences in the effects of licensing agreements across different levels of brand strength and brand criticality, and the presence/absence of prior licensor-licensee relationships.

2 - How Do Consumers Change Their Preference in Co-branding? - The Cognition From Theoretical and Empirical Studies

Chia-lin Lee, Ph.D. Student, Bielefeld Graduate School of Economics and Management (BiGSEM), Bielefeld University, V8-137, BiGSEM, Bielefeld University, Bielefeld, 33615, Germany, clee01@gmail.com, Reinhold Decker

Recently, co-branding has played an important role for firms to gain more market share. Some have proved successful (e.g., Sony-Ericsson), but some have also failed (e.g., BenQ-Siemens). The objective of this paper is to investigate the preference change in co-branding. We first define the term “co-branding” as the unique product offering under a combination of two brands and consolidate how consumers evaluate this composite concept from previous studies. Finally, we conclude that there are three major effects related to the preference change in co-branding - the extension effect (i.e., prior purchase experience of each constituent brand), the mutual effect (i.e., the degree of complementarity between constituent brands), and the reciprocal effect toward parent brands. This paper tries to make a valuable contribution to the field of co-branding. The analysis of the consumers’ preference change may help clarify some conflicting arguments. The model also motivates a need for future researchers to illustrate the consumers’ choice behavior and examine firms’ success in co-branding.

3 - A Study on the Integration of Brands in Situations of Technological Convergence

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Functional and industry convergence is a widespread and widely studied phenomenon. It received increased attention when convergence in the TIME sectors in the last decade became salient with the convergence of networks, technologies, terminals, devices, and media. Given this huge interest it is puzzling that the impact of technological convergence on branding issues and above all on brand convergence is largely overlooked. A brief literature research resulted in only limited scholarly work, and management practice also seems to focus more on the technological aspects of convergence. Even though a great deal of effort is made to integrate hardware, software and service features to enable functional convergence, less steps have been taken to guarantee a smooth integration of brand-related concerns. Brand convergence therefore is the strategic management of brand associations in converging industries and technologies that are created in the minds of consumers through the various media. Brand convergence may be more difficult to achieve than functional convergence because consumer perceptions are driven less by technological or product integration but more by the clarity and consistency of the brand. Brands are often defined as “a network of associations.” As the “touchpoints” between a brand and consumers become more varied through the emergence of new media so does the difficulty of their integration. This study aims to formulate a conceptual and empirical foundation to understand the dynamics involved when separate brands between two technologies are integrated as one.

■ TA13

Seminar Room 3.7 (Room 3026)

Bayesian Methodologies

Chair: Glenn Mayhew, Professor of Marketing, Aoyama Gakuin University, Shibuya-ku Shibuya 4-4-25, Tokyo, 150-8366, Japan, gmayhew@mac.com

1 - Optimal Sequential Targeting of Customers: The Value of Information

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We propose a sequential Bayesian decision theoretic approach to analyze optimal decisions for targeting heterogeneous consumers in direct marketing. Extant research on direct marketing has focused on deriving optimal targeting strategies based on previous response patterns of consumers (Bult and Wansbeek, 1995; Elsner, Krafft and Huchzermeier, 2004; Gonul and Ter Hofstede, 2006). Our research extends this work by recognizing that targeting a customer may not only provide immediate profits by generating sales, but also provides additional information on the customer's preferences, which in turn can be used to better target the customer in the future. This phenomenon can be formulated as a sequential decision problem where current decisions affect future outcomes (i.e., may provide relevant or irrelevant information). We propose a model of customer response and introduce a Bayesian sequential updating of a manager's utility using a computationally tractable hybrid approach. First, the algorithm uses constrained backward induction avoiding the increasing number of potential trajectories. Second, a forward simulation method using Bayesian MCMC sampling is used to calculate the expected utility integral expressions. We apply the method to a direct marketing dataset which contains customer responses and targeting efforts of a direct marketer. We validate our proposed methodology and illustrate its potential relative to existing methods.

2 - Scaling Response Parameters: A Multivariate Probit Approach

Sri Devi Duvvuri, Assistant Professor, University of Iowa, 108 PBB, Department of Marketing, Henry B. Tippie College of Business, Iowa City, IA, 52242, United States, sri-duvvuri@uiowa.edu, Minakshi Trivedi

The goal of this research is to compare consumer response parameters across categories (e.g., peanut butter and jelly) and across different regions (e.g., urban and rural). Typically, while specifying random coefficient choice models, the variation in the mean responses is taken into account while the variation in the variances is ignored. The implications for different variances across segments are, of course, fairly strong. Thus, adjusting the model specification for the scaling parameter becomes important. In recent years, there has been an interest in exploring the implications of this assumption (Train 2003, Louviere et al. 2005) with Swait and Louviere (1993) pointing out that a comparison of estimated parameters across segments and/or data sets might confound the results. In this research, we explore these issues using a multivariate probit model to estimate response sensitivities. We use scanner panel data across several categories from different regions. We use hierarchical Bayesian analysis (MCMC procedures) to estimate the model parameters.

3 - Capturing Heterogeneity in Secondary Drivers of Choice

Glenn Mayhew, Professor of Marketing, Aoyama Gakuin University, Shibuya-ku Shibuya 4-4-25, Tokyo, 150-8366, Japan, gmayhew@mac.com

Andrews, Ainslie and Currim (2002) have shown that Hierarchical Bayes and Finite Mixture models are both valid approaches to logit modeling of consumer choice data. Each is superior in some respects. It has been suggested, however, that Finite Mixture models may be inappropriate for capturing heterogeneity in relatively less important drivers of choice, such as reference prices. This is because primary drivers of choice are also primary drivers of segment membership probabilities. Hierarchical Bayes models that can yield household level parameters may be better able to capture heterogeneity in less important variables. This research uses an extensive simulation study to investigate the relative advantages of Hierarchical Bayes and Finite Mixture models in capturing heterogeneity in secondary drivers of choice.

■ TA14

Seminar Room 3.8 (Room 3028)

Advertising Strategy

Chair: Sharon Horsky, IDC Herzliya, Arison School of Business, Herzliya, Israel, horsky@idc.ac.il

1 - Shotgun or Focused Advertising - Which is Better?

Bharat Sud, PhD Candidate, Richard Ivey School of Business, University of Western Ontario, 534 Platts Lane, Apt. 14, London, ON, N6G3A8, Canada, bsud@ivey.ca, Robert Fisher, Kersi Antia

Marketing academics and practitioners have long held the belief that only focused and clearly communicated advertising is effective. Is this always true - or do conditions exist where this belief may not hold? We argue that it is likely to hold in mature markets but a shotgun advertising approach should be more effective in new markets. New product markets are characterized by low agreement, between buyers and sellers, on core attributes of the product and the characteristics of the market, and large numbers of small segments. Hence, at this stage of the market, an increase in the number of cues presented in the ad will enable producers to appeal to, or mold the preferences of, many segments at the same time. Thus, a shotgun advertising approach should be beneficial for the brand in new product markets. As the product market matures, the defining attributes of the products become clearer and agreement is built among buyers and sellers on how specific products are characterized. However, as the product ages through its life cycle, differentiation becomes difficult and category members are quite similar to each other. Hence, staking out a clear, precise positioning via focused advertising is more valuable in mature markets. We test our hypotheses in the context of US minivan sales over a 21 year period from the inception of the product category. Our data comprises information on (1) monthly market share, manufacturers' suggested retail prices, advertising budgets, and distribution intensity for all brands, (2) objective product quality ratings, and (3) ad content ratings for approximately 2,200 print advertisements used by the 24 competing brands over the 21 years.

2 - Modeling of Advertising Effectiveness with High Frequency Data

Marcel Weverbergh, Professor of Marketing, Antwerp University, Prinsstraat 13, Antwerp, 2000, Belgium, marcel.weverbergh@ua.ac.be, Meltem Kiygi Calli

This study investigates the impact of direct-response commercials on incoming calls at a national call center. Our work is related to similar studies by Tellis et al. (2000, 2006). Differential effects of radio channel, time of broadcast and duration of the commercial is estimated. The data relate to a repair service in Belgium and cover 30 months. During this period, 5,172 radio commercials were broadcasted on six radio stations at various times of the day and at with different commercial lengths. For the main channels GRP's were measured by means of a 'people meter', a panel based direct registration device measuring of the number of listeners. In total 261,167 calls were recorded. The data were aggregated from 15 minute intervals to hourly data resulting in a dataset of 22,416 observations. Contrary to Tellis et al. we find that a logarithmic specification is more appropriate, because of better stationarity. We find multiple seasonality (daily, weekly, yearly), coupled with a long term trend in the data, holiday effects (day before, day after and same day effects). There are significant but small autoregressive effects. The results indicate that advertising has a limited impact per grp with highly divergent effects according to time of broadcast and channel. According to the model, 3 percent of all calls are related to advertising. The logarithmic model discussed shows much better face validity than the corresponding linear model in terms of signs and relative sizes of long term elasticities. Evaluation in terms of week-ahead forecasting shows the fit is satisfactory relative to the weekly planning cycle of the data provider.

3 - Interaction Effects Between TV Advertising and Price Promotions

Hiroshi Onishi, PhD Student, Ross School of Business, 701 Tappan Street, Ann Arbor, MI, 48109, United States, hohnishi@umich.edu

The main focus in this research is on a mediating mechanism of reference price at an interaction between advertising and price promotion. This research also explores a practical question, whether synergy or trade-off effect exists at this interaction. In practice, most companies execute advertising and price promotions form spending the same budget account. Thus marketing managers sometimes confront problems in allocating the budget to these two marketing activities. This research is different from the former studies in the following three points. First, advertising interacts with sensitivities of price promotions not only directly, but also indirectly mediated by the reference price. This research proposes an alternative mechanism of the indirect interaction mediated by the reference price. For instance, when consumers see advertisements of a cosmetic product in upscale magazines, they tend to perceive the product as having higher quality as well as having higher

priced. Second, this research explores the interaction effect of nonprice advertising, which neither explicitly nor implicitly indicates a price, rather than price advertising, which explicitly refers a product price or a level of price discounts. Finally, this study analyzes disaggregate scanner panel data with household level purchase choices and advertising exposures. A few past studies have used disaggregate data to investigate the interaction effect between advertising and price promotions.

4 - Inter-Industry Variation in the Internalization of Advertising Services

Sharon Horsky, IDC Herzliya, Arison School of Business, Herzliya, Israel, horsky@idc.ac.il, Alvin Silk, Steven Michael

Advertising is the one of the largest marketing related activities of firms. The common perception is that most firms outsource the execution of their advertising activities to advertising agencies and that only few of them conduct these activities in-house. In this study we investigate the extent of such outsourcing and the inter-industry variation in the relative incidence of U.S. advertisers' use of in-house rather than independent advertising agencies. Drawing on concepts from research on scale economies, double marginalization and transaction costs, we develop a set of hypotheses as to the forces that may influence the outsourcing versus internalization decision at the industry level. The hypotheses are tested with cross sectional data of two-digit SIC industries for two years defining a business cycle, 1991 and 1999. Surprisingly, we find that while the vast majority of large advertisers use advertising agencies, when firms of all sizes are considered only about half of them outsource. In our cross-sectional analysis we find that (i) the possible sacrifice of size-related scale economies decrease the likelihood of internalization of advertising services as the size of advertising outlays increases. Further, we find that the likelihood of internalization increases across industries as (ii) advertising intensity increases, and is greater for (iii) technological intensive and (iv) creative industries.

■ TA15

Seminar Room 3.9 (Room 3029)

CRM and CLV

Chair: George Knox, Assistant Professor of Marketing, Tilburg University, Warandelaan 2, Room K1019, Tilburg, 5000LE, Netherlands, G.Knox@uvt.nl

1 - Effectiveness of Customer Relationship Management on Customer Behavior and Customer Satisfaction in the Internet Banking of Taiwan: A Conceptual Model

Hui-I Yao, Business School, University of Nottingham Malaysia Campus, Jalan Broga 43500 Semenyih, Semenyih Selangor Darul Ehsan, Malaysia, antoniayao@hotmail.com, Der Chao Chen, Kok-Wei Khong

Currently there is an inevitable trend to conduct businesses via internet (E-Commerce), and as a consequence, a careful customer management when doing internet based business is needed. As a measure to develop stronger interaction with their customers, and offer them better experience and satisfaction, Customer Relationship Management (CRM) has been proposed. The relationship, CRM/consumer behavior and satisfaction, remains an interesting inquiry in both, academic and industrial communities. In this research, we will study the effectiveness of CRM toward the customer behavior and customer satisfaction in the context of internet banking. We'll adopt three stage processes of CRM: establishing, to find suitable consumer bases and effective ways to approach them; enhancing, to measure and improve the customer satisfaction; and terminating, to take corrective measures to revive the consumer relationship. These processes will be modified in the context of internet banking, so the positive activities on each stage can develop successful CRM in internet banking. Our argument is that, the implementation of CRM in the internet banking, does not only regard with providing better customer satisfaction, but also need to consider possible changes from customer behavior under the internet based context. The outcome of our research is to provide a conceptual model to analyze the effectiveness of CRM in internet banking, and to study how CRM works from the field. This study will start with introduction and literature review, and will follow with our research structure, which will be conducted through Quantitative Statistics Methods. Moreover, this research intends to carry out a survey with questionnaires followed by necessary analysis.

2 - A Bivariate Timing Model of Customer Acquisition and Retention

David Schweidel, Assistant Professor, University of Wisconsin-Madison, 4172 Grainger Hall, 975 University Ave, Madison, WI, 53706, United States, dschweidel@bus.wisc.edu, Eric Bradlow, Peter Fader

Two widely recognized components central to the calculation of customer value are acquisition and retention propensities. However, while extant research has incorporated such components into different types of models, limited work has investigated the kinds of associations that may exist between them. In this research, we focus on the relationship between a prospective customer's time until acquisition of a particular service and the subsequent duration for which he retains it, and examine the implications of this relationship on the value of prospects and customers. To accomplish these tasks, we utilize a bivariate timing model to capture the relationship between acquisition and retention. Using a split hazard model, we link the acquisition and retention processes in two distinct yet complimentary ways. First, we use the Sarmonov family of bivariate distributions to allow for correlations in the observed acquisition and retention times within a customer; next, we allow for differences across customers using latent classes for the parameters that govern the two processes. We then provide a demonstration of how the proposed methodology can be used to calculate the discounted expected value of a subscription based on the time of acquisition, and discuss possible applications of the modeling framework to problems such as customer targeting and resource allocation.

3 - Diagnosing and Predicting Individual Customer Defection in a Contractual Setting

George Knox, Assistant Professor of Marketing, Tilburg University, Warandelaan 2, Room K1019, Tilburg, 5000LE, Netherlands, G.Knox@uvt.nl, Jeongwen Chiang, Josh Eliashberg, Andre Bonfrer

In a contractual setting, the firm observes when the customer defects. When the service is continuous, the firm may also observe each customer's usage path over time. We model this usage rate over time as a degradation process. Defection occurs when this process reaches an absorbing boundary. We develop two models, estimable at the individual level and estimable before the defection event occurs. We demonstrate that these models can provide useful diagnostic information about the service provider's customer base through their coefficients. They are also able to discriminate between customers who defect and those that do not before any defection has occurred. Thus, these models can be used as an early warning system for the firm to identify likely defectors in their customer base. We also develop customer lifetime value calculations, based on the model parameters. A key managerial insight we show is that there is a premium for usage volatility.

■ TA16

Seminar Room 3.10 (Room 3031)

Diffusion of Innovation & Social Influence

Chair: David Bell, Associate Professor, The Wharton School, University of Pennsylvania, 700 Jon Huntsman Hall, 3730 Walnut Street, Philadelphia, PA, 19104, United States, davidb@wharton.upenn.edu

1 - The Impact of Social Contagion on What to Buy, How to Buy and Whom to Buy From: A Disaggregate Model

Rakesh Niraj, USC Marshall School of Business, 3660 Trousdale Parkway, #215D, Los Angeles, CA, 90089-0443, United States, rkniraj@marshall.usc.edu, Ramkumar Janakiraman

Social contagion or word of mouth effect refers to interpersonal communication between the two sets of actors, the potential adopters, who have not yet adopted, and adopters, those who have already adopted. While social contagion might influence a potential adopter's decision to adopt a new product in several contexts, much of the extant studies have focused on the effect of social contagion on consumers' decision of what and whether to buy. There has been no systematic examination of the effect of social contagion on other aspects of product buying process such as how to buy (i.e. the channel) and whom to buy from (i.e. retailers). Such effects of social contagion are especially important for high-technology and durable goods markets. For marketers of such products, it is critical as well to understand the drivers of consumers' choice of retailers and channel. Leveraging a micro-level data set of purchases of high-technology durable goods, we develop a joint disaggregate model of consumers' decisions of what brand of product to buy, whom to buy it from and how to buy the product, and analyze how each of the three decisions are influenced by social contagion. Modeling each of the three decisions as a conditional multinomial logit, we estimate the parameters of the three models jointly. We also account for factors such as marketing variables, observed and unobserved individual consumers' preferences in our model to obtain unbiased estimates of social contagion. Our results help develop a holistic understanding of the effects of social con-

tagion on consumers' decision-making. Based on our results, we also offer managerial insights on the characteristics of customers that are influenced by social contagion and marketing efforts in each of the three decision-making steps.

2 - Joining the Network: Personal Influences as Determinants of Diffusion

Peter Pal Zubcsek, INSEAD, Boulevard de Constance, Fontainebleau Cedex, 77305, France, peter.zubcsek@insead.edu, Zsolt Katona

We study the word-of-mouth effect in a diffusion process in a social network. Aggregate diffusion models ignore the possibility that an individual who is connected to many others may have a higher adoption probability (degree effect). Furthermore, the density of connections in a group of already adopted consumers may also affect the adoption of individuals connected to the members of this group (clustering effect). Analyzing data of a social networking site, we find evidence supporting the existence of both the degree effect and the clustering effect. We also show how a linear degree effect at the individual level can be the underlying determinant of the Bass-model. Furthermore, we present a new methodology to determine the influential power of every individual. Surprisingly, we find that highly connected individuals have a lower average influential power (average influence on a particular person). However, the high number of connections counterbalances this, leading to a higher total influence. We also find gender and age differences in the population regarding influential power.

3 - Security Technology Diffusion with Promoters, Imitators, and Privacy Advocators

Nan Hu, Assistant Professor, Singapore Management University, 80 Stamford Road, Singapore, hunan@smu.edu.sg, YingJiu Li, Dan Ma

Security technologies, such as trusted computing (TCG) and radio frequency identification (RFID), impose severe threats to the privacy of individual and corporate users. The existence of technology against group, i.e., privacy advocator, poses a great barrier to the ubiquitous adoption of such security technologies. As a result, the adoption processes of such technologies exhibit some unique features, which can not be explained by the existing diffusion models. In this paper, we model the security technology diffusions in a market with three segments: promoters who are more autonomous in adopting new technologies, privacy advocators who protest the intrusive nature of security technologies and therefore are against of security technology's adoptions, and imitators whose adoptions are affected by both promoters and privacy advocators. Besides covering the commonly observed diffusion patterns documented by previous diffusion literatures, our model also generates some new adoption patterns. Specifically, we show that privacy advocators play an important role in determining the diffusion path of security technologies. Privacy advocators may significantly delay the adoption time, weaken the maximum adoption rate, and change the shape of the diffusion curve. Our analysis suggests that for both promoters and privacy advocators, in order to influence the imitators' adoption behavior, increasing their influence factor can be more effective than improving the growth of their own groups. In addition, we conduct case studies for two security technologies, TCG and RFID. We demonstrate how our model can be applied to explain and predict the diffusion patterns of these security technologies.

4 - Social Emulation Over Space and Time: The Effect on New Trials of an Online Grocery Retailer

David Bell, Associate Professor, The Wharton School, University of Pennsylvania, 700 Jon Huntsman Hall, 3730 Walnut Street, Philadelphia, PA, 19104, United States, davidb@wharton.upenn.edu, Sam Hui, JeongHye Choi

Information technology breaks down geographically defined communities and enables distant individuals to connect implicitly through shared usage of a new product or service. In addition, local demand can be stimulated by conversations among proximate individuals or by passive observation. We examine evidence for emulation and implicit connection among regions in Pennsylvania that try and use an online grocery retailer. A dynamic model of emulation and implicit connection is established in a Poisson setting. Time-varying coefficients are specified according to a random walk processes and estimated non-parametrically in a Bayesian framework. The empirical findings suggest that demand first emerges in hot spots and propagates initially through proximity effects and subsequently through similarity effects, or implicit connection. Quantitative effects are computed from the model parameters and the value emulation shown to be economically important.

Thursday, 10:30 - 12:00pm (Session TB)

■ TB01

Seminar Room 2.1 (Room 2001)

Meet the Editors I

Editors of leading journals for marketing academics will present their editorial policies and perspectives. The following editors are represented: Teck Ho - Journal of Marketing Research, A. Parasuraman - Journal of Services Research, Roland T. Rust - Journal of Marketing, Tülin Erdem- Journal of Consumer Research.

■ TB02

Seminar Room 2.2 (Room 2002)

International Marketing I

Chair: Cathy Chen, Assistant Professor, Singapore Management University, 50 Stamford Road, Singapore, 178899, cathychen@smu.edu.sg

1 - Counter Mainstream Chinese Retailing Psychology: The Case of Xian Jing

Judy Chen, Professor, The Overseas Chinese Institute of Technology, 100 Chiao Kwang RD, Taichung, 40760, Taiwan - ROC, jfc@ocit.edu.tw, Clyde Warden

While renao (hot and noisy) plays a central role in Chinese successful retailing, a small but significant market segment of consumers seek a very different retailing context of peacefulness, and quiet contemplation. This research examines a market segment within Chinese culture we have labeled xian jing (rest and peaceful). Most easily observed in tea houses, this retailing emphasis is employed in numerous retail settings and its core values are often referenced in marketing messages. Rather than an opposite or contrast to renao, xian jing is viewed as complimentary to renao. While often perceived by Western observers as a "modern" retail format, this research describes how this is not at all the case, but rather is an ancient retailing emphasis purposely sought because of its marginal size compared with the mainstream hectic retailing emphasis of renao. Interviews using the Zaltman Metaphor Elicitation Technique (ZMET) were conducted with consumers from this market segment in Taiwan. Qualitative research methods and Xsight software were used to organize the data and field observations to form a grounded theory. Findings show xian jing has very specific characteristics that are noticed at an unconscious level by consumers. Categories of xian jing were found across respondents that included an emphasis on the individual, nature within servicescapes, aspects of a quite lifestyle, and commercial servicescapes. This research describes the structures of these categories and how Chinese consumers perceive the melding of what appears to be an escape from commercialism with a very commercial retail setting.

2 - Affection and Animosity in the Purchase of Foreign Products in Korea

Doyle Kim, Associate Professor, University of Ulsan, San 29 Mugeo 2 Dong Namgu, Ulsan, 680-749, South Korea, dskim@mail.ulsan.ac.kr, Richard Meaders, Dongchul Han

This study aims to investigate the effects of affection and animosity on the purchase of foreign products. Klein et al.(1998) proposed the animosity model of foreign product purchase. They tested their model in China for Japanese products. We expand their study by adding affection in Korea for Japanese, American, and one European country's products. These countries are different in the levels of affection and animosity. Several variables affect the purchase of foreign products. One of those variables is product judgments such as product quality. In addition, past studies searched other control variables that affect the purchase. Consumer ethnocentrism is one example. Shimp and Sharma(1987) developed CETSCALE. Relationships between countries have been built over years. So history affects the current relation and emotions about the countries of interest. Klein et al.(1998) included animosity such as war animosity and economic animosity. Country of origin may represent some emotion about the foreign country. They investigated the effect of negative emotion like animosity. However, some positive emotion also exists through support in war or depression. Therefore we add a positive emotion like affection and will test the negative emotion and positive emotion together. As a result the trade-off and the relative powers can be investigated between these opposite emotions. In addition, animosity could be divided into two parts such as present animosity and control animosity. Korea has a long history. As a result, Koreans have some negative feeling or positive feeling about some countries. Therefore, Korea is an interesting case to test these effects.

3 - Further Investigation of Nation Equity: The Effect of Country-related Emotions on Country-of-Origin

Cathy Chen, Assistant Professor, Singapore Management University, 50 Stamford Road, Singapore, 178899, cathychen@smu.edu.sg

Previous research has suggested that like brands, countries also have equity associated with them, termed "Nation Equity" that goes beyond product perceptions and may also have an emotional component (Maheswaran and Chen 2006). For example, consumers may have positive emotions towards the United States based on its generous humanitarian efforts to help Tsunami survivors, or experience negative emotions towards the United States because its military action in Iraq has led to mounting casualties among Iraqi civilians. Very little systematic research has addressed the effect of such country-related emotions on consumer decision making and its implications for products that originate in that country. Through a series of experiments, this research demonstrates a halo effect when people experience positive (vs. negative) emotions towards a country because of historic or political events. Specifically, when the emotion is positive, people evaluate the product from such country of origin more favorably relative to the product whose country of origin is unknown. When the emotion is negative, however, the country of origin does not influence product evaluations. In addition, the halo effect is more likely to occur when the product is depicted as superior (vs. inferior) to competitors. This research also explores the underlying mechanism as to how country-related emotions bias the perception of a country and thus influence the product evaluations, as well as the potential impact of underlying cognitive dimensions associated with various positive emotions. The finding would extend previous research on country-of-origin effects and enrich our current understanding of Nation Equity.

■ TB03

Seminar Room 2.3 (Room 2004)

Pharmaceutical Marketing II

Chair: Marta Wosinska, Assistant Professor, Harvard Business School, Soldiers Field Rd., Boston, MA, 02163, United States, mwoosinska@hbs.edu

1 - Incentive for Information Sharing in the Pharmaceutical Industry

S. Chan Choi, Rutgers Business School, 180 University Ave, Newark, 17102, United States, chanchoi@rci.rutgers.edu

Counterfeit drugs are estimated to take 5-8% (\$30 billion) of worldwide trade in the pharmaceutical industry. Although the number is lower (1%) in the US, the pharmaceutical industry is under pressure from the FDA to work on preventative measures, including the use of product tracking throughout the distribution system at the individual package level (mass serialization). Success of its implementation depends on how the product flow information can be shared among the channel members. However, both theoretical and empirical studies indicate that the product flow data collected by the downstream channel member (distributor) disproportionately benefits the upstream member (manufacturer). Moreover, by providing its own inventory data to the manufacturer, the distributor can erode its own bargaining power. The distributor, therefore, lacks an incentive to share the data with its upstream channel member. Despite the FDA's push during the past three years, the "voluntary" adoption of RFID and information sharing has not taken off yet. One of the key issues for a successful information sharing is how to optimally allocate the channel benefits among the channel members. Among many benefits, we focus on the efficiency gain by reducing product returns. The return rate of the perishable pharmaceutical products have return rate of 3%, about \$6B retail value. This paper builds a bilateral monopoly model to derive an optimal of pricing and return policy that can provide an incentive for a distributor to share product tracking data with its manufacturer.

2 - Medicaid Influence in the Drug Market

Franklin Carter, Assistant Professor, Lehigh University, 621 Taylor St, Bethlehem, PA, 19015, United States, fcarter@lehigh.edu, Dana Costea

In 2004, the total Medicaid spending on prescription drugs was \$30.6 billion. Given the major role Medicaid plays in the health care spending, the analysis of how Medicaid and its reimbursement rules influence the prices of drugs has a vital importance in determining how much the consumers benefit (or suffer) from this intervention. Our paper studies the influence of Medicaid market share of a drug (the proportion of total sales that is reimbursed by Medicaid) on the price of that drug using a dataset provided by IMS. The dataset contains 398 drugs launched between 1984 and 2003 and each drug is tracked for a maxi-

mum of 60 months from the launch date to the final fifth-year month. Based on these observations we determined that as the Medicaid market share for a drug increases, the price of that drug increases, showing that the pharmaceutical companies have a strong incentive to sell to Medicaid patients.

3 - Prescription Drug Compliance and Pharmacy Channels: Self-Selection or Channel Effect?

Marta Wosinska, Assistant Professor, Harvard Business School, Soldiers Field Rd., Boston, MA, 02163, United States, mwoosinska@hbs.edu

It is commonly noted that consumers purchasing through different channels may differ in their purchasing or consumption patterns as heterogeneous consumers self-select into these channels. However, it is reasonable that channels may influence behavior if, for example, they provide a convenience element that directly or indirectly saves time. This is particularly plausible in the pharmaceutical context where patients' compliance strikingly differs across mail-order and retail channels. To disassociate self-selection from the channel structure influence, I rely on several natural experiments where employers instituted so-called mandatory mail-order programs requiring patients to fill their prescriptions for select chronic conditions through a mail pharmacy. I compare compliance behavior of these patients before and after program introduction with those in plans that do not restrict channel options. I hypothesize that the size of the channel effect, if it exists, is likely to be a function of consumer heterogeneity—consumers that are least likely to choose the mail channel (because they are least organized) are the ones that might get the largest boost in compliance if they were to use this more convenient model.

■ TB04

Seminar Room 2.4 (Room 2005)

Decision Research II - Vice and Virtue Products: Regret & Self Control

Chair: Ajay Kalra, Associate Professor, Tepper School of Business, Carnegie Mellon University, Pittsburgh, PA, 15213, United States, kalra@andrew.cmu.edu

1 - The Role of Justifications in Consumer Self-Control Choices

Yuhuang Zheng, Fordham University, 420 E 70th Street 3F, New York, NY, 10021, United States, ayuzheng@fordham.edu, Ran Kivetz

A great deal of research on self-control has examined intertemporal preferences between tempting vices, which provide immediate pleasure, and virtues, which fulfill long-term goals. Based on the idea of over-control (*hyperopia*), the present research investigates the ex-ante justifications that allow people to relax their self-control and select vices. Building on prior analyses in the social sciences, we propose two complementary routes to justifying self-gratification: one through hard work or excellent performance (an entitlement justification) and the second through the attainment of vices without depleting income. A synthesis of these two routes leads to several new predictions, which are tested using actual effort tasks and real choices adopted from prior research on self-control. Supporting the two justification routes, the results indicate that (a) higher required effort enhances preference for vice rewards, but a reverse effect is observed when the interchangeability of effort and income is implied; (b) providing (bogus) excellence feedback on an effort task enhances choices of vice over virtue rewards, unless the interchangeability of effort and income is suggested; and (c) willingness-to-pay in effort is greater for vices than for virtues, but willingness-to-pay in money or in effort framed as income is higher for virtues than for vices. Consistent with the conceptual framework, the aforementioned effects are more pronounced among individuals for whom selecting vice over virtue represents a greater sacrifice of long-term goals and among individuals with stronger (manipulated or measured) self-control guilt. The final section of the paper discusses the ability of the two justification routes to explain the findings of prior research on self-control.

2 - Bidders' Regret in Consumer Auctions

Sucharita Chandran, Assistant Professor, Boston University, School of Management, 595 Commonwealth Avenue, Marketing Department, #605, Boston, MA, 02215, United States, suchic@bu.edu, Shuili Du, Lisa Abendroth

This research has two objectives. First, what is the nature of regret anticipated by bidders in an auction? We examine regret associated with two types of unfavorable outcomes that trigger regret: winning but overpaying for the auctioned item, and losing the chance to get a bargain. How does anticipated regret for these two types of unfavorable outcomes impact bidding behavior? Second, how well are consumers

able to forecast regret (experienced regret (ER) vs. anticipated regret (AR)). Through a set of four experiments, we demonstrate that anticipated regret has different effects on bidding for the two unfavorable outcomes. It leads to more conservative bidding when the outcome expected is one of winning but overpaying and it leads to more aggressive bidding when the expected outcome is losing a bargain. We also show that regret miscalibration occurs during the bidding process. Bidders only overestimate regret for winning but overpaying. In fact bidders high on competitiveness (an individual difference) underestimate regret for losing the chance to get a bargain. This is particularly interesting because much of the forecasting literature demonstrates overestimation of experienced regret. While the win but overpay outcome supports this, the lose a bargain outcome does not. In fact contrary to the forecasting literature we show that under conditions of high competitiveness the effect reverses. Bidders in fact underestimate experienced regret. This is a key finding in both the forecasting and regret literature. Our research contributes to the emerging research on dynamic bidding decisions. Our findings on regret miscalibration show that bidders are emotional and they minimize regret sub optimally, leading to bidding decisions that they later on regret more.

3 - The Size of Consideration Set on Regret

Ping Zhao, Professor, Tsinghua University, School of Economics & Management, ShunDe Building, Beijing, China, zhaop@sem.tsinghua.edu.cn, Rong Chen, Song Su

As many studies point out, consumers often adopt two-stage strategy to make choices in real decision-making situations. In specific, they first form a consideration set with some elimination rules, then they make a choice among the self-generated alternatives. In reality, consumers are often obsessed with multiple choices even at the second stage. However, most studies on regret assume that regret arises from comparing with one forgone alternative, which ignores the impact from other alternatives in the consideration set. A few recent studies have examined the size effect of prescribed consideration set on post-choice regret. However, we think that self-generated consideration set should have more direct impact on post-choice regret. Therefore, the paper aims to investigate the impact of the size of self-generated consideration set on post-choice regret. We posit that when the size of consideration set is increased, the feeling of regret will be heightened once the consumer finds a better forgone alternative, since the feeling of choice responsibility is larger given more alternatives available. In addition, when the better forgone option comes from unawareness set, we postulate that size effect also exists but subjects will feel less regret than when the better one is from the consideration set, since they intend to ascribe the results to external attributes such as lacking ability or opportunity to seek enough information. Two experiments were conducted, and all the hypotheses were supported. The findings enrich the literatures of regret and contribute meaningful insights to managerial practices.

4 - How Purchase Behavior Differs for Vice and Virtue Products

Ajay Kalra, Associate Professor, Tepper School of Business, Carnegie Mellon University, Pittsburgh, PA, 15213, United States, kalra@andrew.cmu.edu, Sameer Mathur, Darron Billeter

The dichotomy between relatively vice and virtue has been receiving increasing attention. The lack of consumer self control for vice products is manifested in the selection of vice over virtue products for immediate consumption (Khan 2005), regret of virtuous decisions (Kivetz and Keinan 2000) though Wertenbroch (1998) finds that consumers regulate their consumption of vice products. There is evidence that separate neural systems are activated when consumers experience immediate and delayed rewards (McClure et al, 2004) which suggests that purchase behavior for vice and virtue products is also likely to differ. Using ebay auction data and experiments, we examine purchase behavior in virtue and vice products. We confirm that the process of acquiring a vice product is a relatively intense, visceral experience with important marketing implications. We use auction data for the purchase of vice and virtue products in categories such as movie DVD's, books and video games. We examine how consumers process information differently while purchasing relatively vice and virtuous products, measured in terms of their relative sensitivity to shipping costs, seller reputation and experience. We also contrast how anticipated disappointment of not winning the auction impacts bidding behavior across relatively vice and virtuous products. We link anticipated disappointment to (i) the likelihood of sniping or last minute bidding by consumers in online auctions and (ii) their relative preference for buying through an auction or buying using the Buy-It-Now format. We find that consumers in vice auctions are more impulsive, more sensitive to the anticipated disappointment of not acquiring the product and are more likely to pay higher shipping costs than consumers in virtuous auctions.

■ TB05

Seminar Room 2.5 (Room 2012)

Word-of-Mouth in e-Marketing

Chair: Luming Wang, University of Alberta, 2-24 Business Building, Edmonton, T6G2R6, Canada, luming@ualberta.ca

1 - Blogs as Credible Word of Mouth?

Mark Elsner, Doctoral Student, Institute of Marketing (Prof. Heil), University of Mainz, Jakob Welder-Weg 9, Mainz, 55099, Germany, elsner@marketing-science.de, Oliver Heil

It has been argued that the Internet fundamentally changed communication among consumers and is likely to impose similar changes for the marketing discipline. As a result, marketing researchers face an armada of challenges. One of those challenges seems to arise from weblogs, or short blogs. Technically, weblogs are just basic websites, allowing easy publishing for everyone. However, the truly powerful aspect about blogs is their interconnection among each other and the global community behind them. Bloggers may publish any kind of information easily - with the good chance of reaching a large audience. Importantly, the conversational, colloquial and seemingly truthful character of weblogs implies the authenticity and credibility of interpersonal communication. Notably, exactly these attributes differentiates blogs clearly from most traditional marketing media. In this research, we argue that the mix of credible interpersonal & mass communication combines into a new power that weblogs possess. Public opinion may be influenced almost instantly and probably to some extent permanently. Our work offers a variety of explanations for the phenomenon and managerial use of weblogs. For example, we assume, that negative information published in blogs has a greater impact than positive information. Further, we maintain that weblogs appear more trustworthy than other marketing-based sources of information. Next, we expect that the typical vividness of the information published in weblogs will be more influential on consumers attitudes than statistical information on the same matter presented objectively. In short, weblogs seem to give consumers considerably more power - at least initially - thus making it mandatory for market-driven firms to engage in this subject.

2 - On the Impact of Recommendation Systems on the Diversity of Products Purchased by Consumers

Kartik Hosanagar, Assistant Professor, University of Pennsylvania, 3730 Walnut St., Ste 500, Philadelphia, PA, 19103, United States, kartikh@wharton.upenn.edu, Daniel Fleder

This paper examines the effect of recommender systems on diversity of products purchased by consumers. Two anecdotal views exist about the effects recommender systems may have. Some believe recommendations will help consumers discover new products and thus increase sales diversity. Others believe recommendations only reinforce the popularity of already popular products. This paper is a first attempt to reconcile these seemingly incompatible views. We explore the question in two ways. Modeling recommender systems analytically allows us to explore their strong, path-dependent effects. Then, turning to a simulation environment, we increase the realism of our results by combining choice models with actual implementations of recommender systems. We arrive at three main results. One, there exist strong path dependence and the same recommender system may either increase or decrease the diversity of products sold due to this path dependence. Thus, studies at individual firms can lead the researcher to the wrong conclusions regarding the impact of recommenders on sales diversity. An ensemble of firms may be needed to determine the average impact. Two, common recommenders may reduce sales diversity on average even though there may be individual instances where sales diversity increases. Finally, basic design choices affect the outcome (diversity vs. homogeneity) and thus the two views may be reconciled. Despite the growing prevalence of recommender systems, little is known about their effect on consumer behavior, and we hope this work provides a starting point for quantifying their effect.

3 - Structural Determinants of the Recommendation of Online Services

Luming Wang, University of Alberta, 2-24 Business Building, University of Alberta, Edmonton, AB, T6G6R6, Canada, luming@ualberta.ca, Adam Finn, Tema Frank

Intuition and previous research suggest that creating a compelling online environment for consumers will have numerous positive consequences for commercial web providers. The research has focused on customer satisfaction as the key indicator of e-service success. However, Reichheld (2003) has argued that the "Net Promoter Score" based on a recommendation question is the single most reliable indicator of the ability of a business to grow. This paper differentiates between online satisfaction and online recommendation and develops a process based

model that relates managerially actionable site characteristics to these important measures. A unique data set provided by a North American marketing research supplier (webmysteryshoppers.com) enabled the proposed model to be refined using data from samples of responses to each of the competitive websites in one industry, and then to be cross validated multiple times using data from samples of responses to each competitive website in other industries. The model, which accounts for most variance in online satisfaction and online recommendation in the fitted data, is largely supported on cross validation.

■ TB06

Seminar Room 2.6 (Room 2013)

Price Promotion II

Chair: Jianmin Jia, Chinese University of Hong Kong, Dept. of Marketing, Shatin, NT, Hong Kong - ROC, jjia@cuhk.edu.hk

1 - Gifts vs. Coupons: Do Consumers Know Their True Preference?

Alison Jing Xu, Ph.D Candidate, Department of Marketing Hong Kong University of Science and Technology, Clear Water Bay, Kowloon, Hong Kong - ROC, jingxu@ust.hk, A.V. Muthukrishnan

There is very little research that compares the efficacy of various forms of marketing promotion. This research compares the effect of free gifts and that of coupons of equal value on consumer satisfaction. Experiment 1 found that upon purchase of a pair of Levis Jeans, participants were more satisfied with the shopping experience when they received a free gift, which was a pair of Levis socks, than when they received an equal-valued coupon, which could be used to purchase any item in the Levis store. Moreover, participants evaluated the brand to be more favorable in the former situation than in the latter. And these effects were obtained no matter consumers spent the coupon to buy a pair of socks or added more money to buy other items. In Experiment 2 we found that a majority of participants who were offered the choice between a free gift and equal-valued coupon chose the coupon. This confirmed the prediction that consumers preferred an option that would allow them to make further choices. However, all participants who had the freedom of choice ended up with less satisfaction. And this tendency was more pronounced when participants voluntarily chose the coupon. Two explanations are proposed to account for why free gifts could lead to greater satisfaction than could coupons. First, consumers may perceive free gifts as reward for purchase whereas they perceive coupons as lures to make further purchases. Second, consumers who choose coupon may need to confront with the conflict between spending the coupon to buy a non-attractive product and adding more money to get something more attractive. Both of the options might be avoidance options and a choice between two avoidance options may lead to lower satisfaction. These two explanations will be tested in later experiments.

2 - Mail-in Rebate Promotions: Time Inconsistent Preferences or Price-Discrimination?

Kissan Joseph, Associate Professor, University of Kansas, 1300 Sunnyside Avenue, Lawrence, KS, 66045, United States, kjoseph@ku.edu, Beom Joon Choi, James Lemieux

Mail-in rebates are a widely employed marketing tool (Grow 2005). Previous research suggests two mechanisms by which mail-in rebate promotions can enhance marketer profits: time-inconsistent preferences (Soman 1998) and price-discrimination via self-selection (Narasimhan 1984). Despite these investigations, not much is known about the relative importance of these mechanisms in influencing the profitability of rebate promotions. Accordingly, the primary objective of this research is to redress this gap. Across a series of simulated rebate offers, we do find evidence for time-inconsistent preferences across the "choice" and "redemption" decisions. However, the ability of marketers to capitalize on these time-inconsistent preferences is limited. In addition, we find: (i) Redemption rates are higher when subjects are given a choice to accept a rebate offer than when they are simply given a rebate offer, signifying high levels of self-selection (ii) An individual-specific trait, namely, the construct of "rebate involvement," has a significant impact on rebate choice even after controlling for face value and rebate redemption effort. Moreover, this trait is positively correlated with a measure of price consciousness, and (iii) Subjects exposed to a subsequent rebate offer update their choices in a manner that reflects significant levels of learning. Overall, these findings suggest that only the price-discrimination mechanism remains as a viable mechanism to yield sustained profits for marketers.

3 - When Lucky Draws are More Attractive than Coupons?

Jianmin Jia, Chinese University of Hong Kong, Dept. of Marketing, Shatin, NT, Hong Kong - ROC, jjia@cuhk.edu.hk, Liaogang Hao, Chongyan Gao

How should marketing managers choose a sales promotion scheme under a certain amount of budget in order to attract more customers? We compare two commonly used tools of sales promotion: lucky draws and cash coupons. Several previous studies show that coupons are more effective than lucky draws in the context of supermarket or packaged goods, but some others find opposite results. In this effort, we try to clarify these conflicting findings and to identify conditions that favor each of the promotional tools. Based on Multi-attribute Utility Theory and Prospect Theory, we develop a consumer valuation model for sales promotion that captures the value of product purchased, the value of promotional incentive (under uncertainty or certainty), and their interaction effect. This model leads to several hypotheses followed by empirical studies. Our theoretical and empirical results show that there is an interaction effect between the product purchased and the promotional incentive in addition to the effect of overweighting small odds. Lucky draws are more attractive than coupons when products purchased have high values (e.g., durables), but less attractive when products purchased are low values (e.g., packaged convenience goods). We also investigate the main effect of promotional incentive, the moderating role of consumer's risk attitude, and the moderating role of winning odds of lucky draws. In general, lucky draws are more preferred by risk-prone customers, and coupons are more favored by risk-averse customers. Coupons are more attractive than lucky draws when winning odds are medium or large and outcome values are moderate or small. Our findings provide useful insights into the design of sales promotion schemes.

■ TB07

Seminar Room 2.7 (Room 2014)

Loyalty Programs II

Chair: Jessica Kwong, Assistant Professor, The Chinese University of Hong Kong, Marketing Dept, CUHK, Shatin, Hong Kong - ROC, jkwong@cuhk.edu.hk

1 - Loyalty Card Program Service Quality (PSQ): Scale Development and Validation

Nor Asiah Omar, Lecturer, University Tun Abdul Razak, Faculty of Business Administration, 16-5, Jln SS6/12, 47301, Kelana Jaya, 47301, Malaysia, asiah@unitar.edu.my, Rosidah Musa

There is a worldwide trend toward loyalty marketing. Companies in most industries are studying, evaluating or implementing loyalty strategies and programs aimed at cultivating strong relationships with their best customers. Loyalty cards have become an increasingly sophisticated marketing strategy in recent years particularly retailers seem to believe that loyalty cards are an effective marketing strategy. However, within many retail organizations it would seem that the current position of loyalty card program is such that they are at crossroads. Indeed, the retail industry was encouraged to refine their loyalty card program in an effort to make the program different and ultimately, more effective. Few previous researchers (i.e. Boedeker 1997; Lockyer 2004) noted that customer service as the most important part in a loyalty program. Prior authors suggest that the effectiveness of a loyalty program is likely contingent upon its design (Dowling and Uncles 1997) and program service quality (Smith et al. 2002). Thus, in response to this gap as well as the importance of service quality in a retail loyalty card program, the research attempts to offer a new dimension of program service quality (PSQ) and the appropriate of measuring service quality specifically in Asian retail loyalty programs. Two studies using data from a total of 255 subjects are described detailing the development and validation of seven new dimensions of program service quality: reward quality, program policy, service personnel, service counter, information quality, personalization and communication quality. An exploratory factor analysis as well as confirmatory factor analysis, using AMOS, was also performed on the scale, and showed good validity and reliability indices.

2 - Processing Fluency and the Decision to Spend Loyalty Program Points

Jessica Kwong, Assistant Professor, The Chinese University of Hong Kong, Marketing Dept, CUHK, Shatin, Hong Kong, - ROC, jkwong@cuhk.edu.hk, Dilip Soman

In this paper, we study consumers enrolled in a loyalty program and examine when and why they decide to spend their accumulated points in exchange for price discounts. We propose that consumers are likely to spend points when they can fluently integrate these points with the cash needed to make the purchase. Across three experiments, we found that points are more likely spent when it is relatively easy to compute the percent discount that these points would give consumers. For instance, a peak in the willingness to spend points is observed when

their use results in a one-third or half off the purchase amount. We further showed that the fluency in converting points into their cash equivalent (when the exchange rate involves a simple calculation) increases the likelihood that the points are spent. The cognitive effort required to process the semantic relatedness of the points in a loyalty program and real cash also shaped the redemption decision. In particular, we found that consumers are more likely to spend the points when they are in a physical form that is congruent with the payment mechanism used to make a purchase.

■ TB08

Seminar Room 2.8 (Room 2015)

Order of Entry and Innovation

Chair: Wooseong Kang, Assistant Professor, North Carolina State University, College of Management, Department of Business Management, Raleigh, NC, 27695, United States, wkang@ncsu.edu

1 - Decomposing Pioneer Survival: Implications for the Order-of-Entry Effect

Qi Wang, Assistant Professor of Marketing, State University of New York at Binghamton, School of Management, Binghamton, NY, 13902, United States, qiwang@binghamton.edu, Jinhong Xie

In contrast to previous studies of pioneer survival that directly compare the survival of market pioneers with later entrants, we propose that a market pioneer, as the first entrant, operates under two distinctly different survival processes, one during the initial monopoly period and another during the later competition period. The two processes of market pioneers need to be separately estimated and compared with the survival process of later entrants. Our empirical analysis using data collected from 232 newspaper markets illustrates the advantages of decomposing pioneer survival. For example, when treating first mover survival as a single process, a lower survival is found for the first movers than the second movers. However, when analyzing the first mover's survival as a sequence of monopoly and competition processes, three new results emerge: (1) the first entrant's monopoly survival rate is higher than the competitive second entrant's survival rate, suggesting that first entrants enjoy a survival benefit due to the temporary monopoly; (2) the first entrant's competitive survival rate is also higher than the competitive second entrant's survival rate, suggesting that first entrants also enjoy a survival benefit by getting a "head start;" and (3) there is a significant survival benefit for those second entrants who delay market entry until the first entrant exits. These findings suggest that identify survival differences between monopoly and competition periods would provide new insight into the degree to which the forces acting in these two periods differ.

2 - The Strategic Determinants of Tardy Entry: Is Timeliness Next to Godliness?

Luca Berchicci, PhD, Ecole Polytechnique Fédérale de Lausanne, Station 5 - Odyssee 1.19, Lausanne, 1015, Switzerland, luca.berchicci@epfl.ch, Andrew King, Christopher L. Tucci

Previous research has considered extensively the causes and effects of market entry order and timing. It has neglected, however, the timeliness of such entry — the degree to which a firm delivered a new product on the date it had set for its release. In this article, we begin to address the need for such research by developing and testing a model of how strategic considerations might influence a firm's propensity to miss market entry schedules. We then explore the degree to which such tardy entry influences future sales performance. To begin to fill the need for theory, we draw on the strategic and marketing literature concerning entry forestalling, cannibalization, and the credible communication of unobservable characteristics. Based on detailed information about scheduled and actual entry into the hard disk industry, we find evidence that some of these strategic considerations influence the propensity for firms to be timely or tardy. Results indicate that fear of cannibalization and fear of lost reputation or other sanctions may deter tardy entry. We also find evidence that the closer the firm is to the technological frontier, the more likely it is to be tardy. Finally, we find evidence that firms with later scheduled entry and those firms that are tardy in entry tend to perform poorly in the market.

3 - Product Preannouncement as a Price Discrimination Tool

Sumitro Banerjee, Assistant Professor of Marketing, Syracuse University, 721 University Avenue, Syracuse, NY, 13244, United States, subanerj@syr.edu

New product preannouncement is often used by strong brands as a preemptive market signal to keep other competitors from entering the market. We show that preannouncement causes consumers to maximize their inter-temporal utility across two generations of new products which allows a firm to use preannouncement as a price discrimination tool. Preannouncement can lead to a better alignment between con-

sumer valuations and the quality they buy as compared to the case where there is no preannouncement. Further in case where consumers are uncertain about the quality of the pre-announced product, we show that the firm can effectively signal its quality of the new product using a combination of price and performance guarantee.

4 - The Impact of Product Portfolio and Innovation Strategy on Financial Performance

Wooseong Kang, Assistant Professor, North Carolina State University, College of Management, Department of Business Management, Raleigh, NC, 27695, United States, wkang@ncsu.edu, Mitzi Montoya-Weiss

Innovation is one of the most important issues facing business today. Success is achieved by understanding the dynamics of the innovation process, its payoffs, and managing both so that little gets left to chance. The major difficulty in managing innovation is that managers must do so against a constantly shifting backdrop - technologies, competitors, and markets constantly evolve. Separating distractions from real opportunities and balancing tensions are challenges managers face as they set direction through innovation/marketing strategy and portfolio design. This creates a natural tension that must be balanced. Key strategic questions are what portfolio balance, innovation strategy, and market strategies provide the greatest financial reward. The purpose of this paper is to investigate the financial impact of competence in portfolio management as it relates to innovation and marketing strategy, enabling us to design a better portfolio strategy. This study investigates these questions in the context of the biomedical device industry. From our empirical analyses, we found that a longer product portfolio helps firm's financial performance. However, each component of the portfolio serves different roles. Second, we found evidence of delayed first-mover advantage. That is, even though first-entered new products do not yield an immediate effect, they show lagged effects with stronger impacts. Third, we found positive effects of the balance between "old" and "new" products in the portfolio (experience) and the balance between "first-entered" and "late-entered" portfolio (speed) on firm's performance. By understanding these trade-offs, we develop better guidelines for optimizing portfolio and innovation strategies.

■ TB09

Seminar Room 3.1 (Room 3001)

Choice - Methodology II

Chair: Paul Wang, Senior Lecturer in Marketing, UTS, PO Box 123, Broadway, Sydney, NS, 2007, Australia, paul.wang.uts.edu.au

1 - Modeling Whether, What and How Much to Buy: Is the Selectivity Bias in Quantity Outcomes Important?

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Whether, what and how much to purchase are central decisions consumers face in consumer goods markets. Beginning with the seminal paper by Gupta (1988) marketing research started to focus on how to model these three decisions and their dependence on marketing variables. Despite the reasonable amount of published papers dealing with these decisions, it is still an unsolved question how to model them the right way: While most of the articles assume a perfect separability between the choice of purchase quantity and the choice of whether and what to purchase, Zhang, Seetharaman and Narasimhan (2002) recently demonstrated, that the control for selectivity bias in purchase quantity outcomes dramatically improves the explanatory power of the model. But even their modeling framework is restricted to the assumption, that the choice of purchase quantity is conditional on purchase incidence and brand choice. Our aim is to abandon this assumption by using one unifying utility function for all three decisions. We adopt the framework of Hanemann (1984), which was extended by Arora, Allenby and Ginter (1998) to take account of the discrete nature of quantity outcomes, and compare it both theoretically and empirically on household panel data of two different product categories to the separate framework. We thus contribute to the existing literature in two ways: We are the first to apply the model specification of Arora, Allenby and Ginter to household panel data, what hasn't been done before due to the computational complexity of the model. Further, this application enables us to compare the performance and implications of the unifying framework to the commonly used separate framework of Gupta for the first time in marketing research not only theoretically but also empirically.

2 - The Impact of the Choice Set on the Consistency of Consumers' Selections

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Cam.Rungie@unisa.edu.au, Jordan Louviere, Len Coote

Choice models routinely examine the impact of the choice set on the proportion of consumers who will select each alternative it contains. These proportions are also the expected values of the choice probabilities for each alternative across the population of consumers. By expanding the model to include random coefficients with latent preference structures it is possible to analyse not just the expected values of the choice probabilities but also their distributions. If the random coefficients have normal distributions then the choice probabilities have what is close to a beta distribution. Furthermore, the greater the variances of these choice probabilities then the greater the consistency within most consumers repeated selections and the more a specific selection can be taken as a reliable indicator of subsequent choices. The impact of the choice set on these consistencies and reliabilities can be determined. The methods, estimation and application will be discussed.

3 - Which Are the Better Predictors of Consumer Choice: Structural Equation or Discrete Choice Models?

Paul Wang, Senior Lecturer in Marketing, UTS, PO Box 123,
Broadway, Sydney, NS, 2007, Australia, paul.wang.uts.edu.au,
Con Menictas, Jordan Louviere

Somewhat surprisingly, few published papers test the ability of structural equation models to predict the real behaviour of real consumers or choosers. In contrast, there is a long history of external validation in the discrete choice experiment paradigm, beginning with Louviere and Woodworth (JMR, 1983), and continuing to the present in several different fields, including a special session on this topic at the American Economic Association meetings in January 2007. We describe and discuss the results of several studies designed to compare the predictive validity of choice models estimated from choice experiments with structural equation models estimated from traditional indicator ratings data for brands. In these comparisons the choice experiments of interest are designed to mimic traditional indicator ratings data, such that experimental participants are asked to choose between two hypothetical brands that are described by combinations of ratings on each indicator. The research objective is to compare the performance of these two approaches to understanding the equity of brands based on the Erdem and Swait (JCP 1998) brand equity paradigm. In our preliminary work in progress we observe the brand choices of the sampled individuals in several different product categories and obtain indicator ratings for each brand of interest on all key indicators. We then observe choices in a hypothetical choice experiment where the variables that are varied are ratings on each indicator.

■ TB10

Seminar Room 3.2 (Room 3003)

Retail Assortment

Chair: Robert Roederkerk, Assistant Professor of Marketing,
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R.P.Roederkerk@uvt.nl

1 - Pricing in Online Book Retailing: The Role of Assortment and Consumer Perception of Product Availability

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Researchers have long recognized that product assortment is a positive determinant of consumer attitudes and store choice. Consumers who do not know what to buy tend to go to a store with large assortment, either for "education" about available alternatives in the market, or for a higher probability of a perfect match for their needs. But what about the consumers who know exactly what to buy? For these consumers, store choices ought to be influenced only by the availability of the individual product of their interest, not by store assortment in general. In this research I argue that assortment can affect store choice even for consumers who know what they want. In my model, consumers use assortment as a cue for product availability. As a result, other things being equal, a store with large assortment tends to charge a premium price in general because it offers consumers the option value. Second, because a store with large assortment tend to be judged higher on the availability of unpopular products by uninformed consumers and because these consumers are less inclined to price search for unpopular products, the store charges a particularly high price on unpopular items, even when the products are actually available at several retailers. The predictions are assessed with data from the online book industry in March 2004. My analysis shows that online booksellers with large assortment (e.g. Amazon.com) did charge a higher price than the ones with small assortment (e.g. Buy.com), controlling for store fixed effects. More interest-

ingly, the premium was larger on obscure non-bestselling books than on popular bestselling ones. The stronger positive effect of assortment on pricing of unpopular books suggests that consumers' store choice behavior is influenced by assortment.

2 - Great Expectations?! Assortment Size, Expectations and Satisfaction

Kristin Diehl, University of Southern California, Marshall School of
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A long line of research demonstrates that consumers value greater selection (e.g. McAlister and Pessemier 1982). Indeed, consumers should be better off with larger choice sets that allow them to better match their idiosyncratic preferences (Hotelling 1929). Contrary to this belief, however, we show that consumers may be less satisfied with their choice if that option was chosen from a larger as opposed to a smaller assortment, even if the chosen option is a closer match to what consumers were actually looking for. We demonstrate that consumers' expectations regarding their ability to match their preferences are ultimately what can leave them less satisfied. Larger assortments can raise consumers' expectations of the degree of preference match they can achieve. As a result, their ensuing satisfaction is reduced due to expectation-disconfirmation. Research in consumer behavior has demonstrated that larger selections can decrease satisfaction (e.g. Iyengar and Lepper 2000) and has focused on information and choice overload as the underlying drivers. Our findings indicate that our proposed expectation-disconfirmation mechanism acts independently of and in addition to any effects of overload that may be present. Many retailers position themselves in terms of their assortment size, priding themselves as offering the largest selection in a particular category. However, our research suggests that highlighting the assumed relationship between a large assortment and consumers' expectations about preference match may have substantial downsides. By increasing consumers' expectations of what should be available consumers may grow more demanding and may become frustrated in an environment that seemingly offers a lot of choices, but still does not live up to their expectations.

3 - Robust Optimization of Retail Assortments

Robert Roederkerk, Assistant Professor of Marketing, Tilburg
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Retailers face the challenge of selecting those SKUs in a category that jointly maximize profits. This Retail Assortment Optimization problem can be formulated as a knapsack problem, a well-known discrete optimization problem. A complicating factor is that each item's profit contribution is stochastic, since its sales cannot be predicted with 100% certainty. Our study provides the retailer with a method to construct assortments that are robust to the uncertainty in the profit contributions. To achieve this, we formulate a robust counterpart of the knapsack problem that balances the expected profit of an assortment and its uncertainty. We assess the potential of the robust approach in an empirical application involving 54 retail stores. Using full enumeration, we find that many (but not all) of the robust solutions provide retailers with only a small reduction in expected profit yet a considerable reduction in uncertainty. We also propose a heuristic that provides the retailer both a solution to the Robust Retail Assortment Optimization problem and a set of assortments that trade-off expected profit and profit variance. The heuristic proves to be extremely fast compared to full enumeration and to lead to robust solutions that are very often optimal or near-optimal.

■ TB11

Seminar Room 3.3 (Room 3005)

Pricing II - Experiential Consumption

Chair: Fernando Nascimento, Universidade Católica Portuguesa,
Palma de Cima, Lisbon, 1600, Portugal, prof.fn@gmail.com

1 - An Integrative Model of Consumers' Product Consumption, Need States and Consumption Contexts

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Ravi Dhar, Vishal Narayan

Consumers' consumption decisions have been known to depend on the needs that they experience at the occasion of consumption as well as the consumption contexts that they face. In this research, we propose a fully recursive simultaneous equations model to study the complex interplay between consumers' product consumption, the need states that they experience and the consumption contexts that they face. Our model allows for interdependence not only within different consumption contexts, within different need states and within the propensities of consumption of different products, but also across contexts, need states

and consumption propensities. We estimate the model using data from a unique longitudinal survey of consumers which tracks their actual beverage consumption in real time along with the need states and consumption contexts at the occasion of consumption. Consistent with our conceptual framework, we find that consumers' propensities of product consumption depend on their need states as well as their consumption contexts. We also find that consumers' propensity of experiencing different need states depends on the consumption contexts that they are in, and that need states partially mediate the effect of consumption contexts on product consumption propensities. This research provides insights into competition across products at the occasion of consumption. We find that the set of products that compete to fulfill a need, varies across need states. Different sets of products compete for consumption in different consumption contexts. Lastly, we discuss the implications of this research for predicting product consumption when consumers are faced with different needs and consumption contexts, and for targeting consumers at the occasion of consumption.

2 - Dynamic Consumption Self-Control of Vice Goods: An Empirical Investigation

Brett Gordon, Carnegie Mellon University, 5000 Forbes Avenue, Tepper School of Business, GSIA Rm. 317A, Pittsburgh, PA, 15213, United States, brgordon@gmail.com, Baohong Sun

Vice goods differ from virtue goods in two critical ways. First, the consumption of a vice good may lead to addiction, which increases compulsive consumption in the future. Second, consumers engage in self-control by managing their purchase quantities to cope with their addiction level. While there is some theoretical and behavioral work that documents the differences in consumer behavior between vice and virtue goods (e.g. Gul and Pesendorfer, 2004; Wertenbroch, 1998), there is little empirical modeling of how consumer purchase and consumption behavior differs for vice goods. In this paper, we construct a dynamic structural model with rational addiction and endogenous consumption to investigate how some consumers control their addictive consumption by intentionally limiting their purchase quantity and managing their stock of inventory. We apply the model to a unique data set with consumer purchase histories of cigarettes from Jan. 1993 to Aug. 1995, during which Marlboro permanently reduced its prices by 20 percent. The estimation results demonstrate that consumers adjust their pattern of purchase and consumption strategies in the face of this price change, leading them to exert tighter self-control. This helps explain the counterintuitive observation that the decrease in industry prices caused almost no change in total cigarette consumption. Our results shed light on the understanding of how a consumer can actively manage the size of her inventory to regulate her feasible consumption of a vice good. This is particularly relevant given the increasing consumer awareness of the potential health issues surrounding the consumption of various vice products. We discuss possible ways firms could incorporate such behavior into their marketing and product design strategies.

3 - Pricing Digital Services

Fernando Nascimento, Universidade Católica Portuguesa, Palma de Cima, LISBON, 1600, Portugal, prof.fn@gmail.com

This paper deals with dynamic pricing for digital services. In the context of a multibrand dynamic environment profit-maximizing trajectories of price are derived over time for repeat purchase digital services under atomistic competition. These trajectories are obtained in the framework of a sales diffusion model which encompasses (a) a non-stationary adopter population over time, (b) an explicit distribution of reservation prices across that population, and (c) short-term response inertia with respect to price changes. The results are according with empirical behavior found in e-firms: irrespective of the shape of the reservation price distribution, the theoretical evidence supports the notion that initial prices should be low to stimulate trial and adoption.

■ TB12

Seminar Room 3.4 (Room 3007)

Brand Extension Research

Chair: Tom Meyvis, New York University, 40 West 4th Street, Tisch 8-15, New York, NY, 10012, United States, tmeyvis@stern.nyu.edu

1 - An Empirical Investigation of the Effects of New Product Introductions Across Multiple Categories

Ram Bezawada, Assistant Professor, SUNY Buffalo, 215B Jacobs Management Center, School of Management, SUNY Buffalo, Amherst, NY, 14260, United States, bezawada@buffalo.edu, Debu Talukdar, Vijay Ganesh Hariharan

Firms diversify their brand portfolio by introducing new products. The expansion could be either horizontal, through brand extensions or vertical, through line extensions. Consumers might react to these extensions by either switching from or adding to the existing products they buy.

Competitors may respond by giving discounts to their products, or by introducing similar extensions and promoting them. The changes in market structure due to these extension introductions vary across brands, categories and markets. In this paper we investigate the dynamic effects of the introduction of several of these extensions across multiple product categories, using both aggregate market and individual consumer level data. The aggregate level analysis will help explain the effects using the brand level, category level and store level characteristics. The individual level analysis will capture the heterogeneity of these effects across individual households and represent them as a function of consumer choice preferences. For line extensions, we analyze the extent of cannibalization and category expansion through an econometric model. In addition, we also consider the case of co-branding or ingredient branding. In case of brand extensions, we investigate the spillover effects of the success or failure of the extension on the parent brand. Our analyses will use a comprehensive consumer transaction dataset from 100 stores and covers about 40 line and brand extensions from 25 product categories over a three-year time period. We expect our findings to provide useful strategic insights to both manufacturers and retailers on their new product introductions.

2 - Drivers of Service Brand Extensions Success in India - A Structural Equation Modeling Approach

Thamaraiselvan Natarajan, Senior Lecturer, National Institute of Technology Tiruchirappalli, Department of Management Studies, NITT, Tiruchirappalli, TN, 620015, India, selvan@nitt.edu, Raja John

In today's intense competitive environment, companies launch new products to satisfy constantly changing consumers' preferences. The new products are prone to failures due to many factors. Companies take efforts to reduce new product failure rates to maximize their returns for their stakeholders. A brand extension, leveraging existing brand names to new product categories is one such strategy to reduce the risk of new product failures. Despite two decades of branding research, many vagaries are yet to be explored and understood. This study primarily focuses on how consumers evaluate brand extensions for two FMCG (Fast Moving Consumer Goods) and four service product categories in Indian market conditions. It explores how exactly the consumers evaluate different product categories based on factors like, similarity fit, perceived quality, brand reputation and perceived risk. It brings out the impact of brand reputation of the core brand and perceived service quality on the brand extensions evaluations. It highlights the role of perceived risk involved in the extended product category in brand extensions evaluations. Most importantly, this study establishes the relationships among similarity fit, brand reputation, perceived service quality and perceived risk and these factors direct and indirect impact on the brand extensions success through structural equation modeling approach.

3 - The Impact of Breadth and Depth of Brand Extensions in a Brand Architecture

Vijay Viswanathan, Emory University, 1300 Clifton Road, Atlanta, United States, vviswa2@bus.emory.edu, Douglas Bowman

A brand hierarchy is a common form of brand architecture where brand relationships form a tree-like structure as in, corporate brand -> family brand -> individual or product brand, and possibly a brand modifier and/or brand ingredient. Strategic decisions include the breadth (or horizontal brand extensions) and depth (or vertical brand extensions) of the hierarchy, and what levels of the hierarchy to emphasize. We develop a theory for how breadth and depth moderate the effectiveness of brand building efforts through advertising and carry out an empirical test using data on the U.S. automobile market. Sample results include our finding that advertising at each of level of the brand hierarchy has a positive effect on sales of the individual brand, and that this effect is moderated by the extent and nature of breadth and depth of brand extensions in the brand hierarchy. We also find that individual brands with higher quality positively moderate the effectiveness of corporate and family brand advertising. Our results show the importance of accounting for the breadth and depth of brand extensions in a brand hierarchy when studying brand performance. Insights from this study can better help marketers tailor their marketing activities in ways that better account for their specific branding strategies.

4 - Beyond Survival of the Fittest: The Influence of Mindsets on Consumers' Response to Brand Extensions

Tom Meyvis, New York University, 40 West 4th Street, Tisch 8-15, New York, NY, 10012, United States, tmeyvis@stern.nyu.edu, Kelly Goldsmith, Ravi Dhar

Previous brand extension research has identified the fit between the brand and the extension category as a critical requirement for favorable extension evaluations. We propose that the importance of fit depends on the mindset of the decision maker. When consumers adopt a hypothetical, abstract mindset, they will rely more on general marketplace

principles - and consequently will be more sensitive to fit. However, when consumers instead adopt a more concrete, pragmatic mindset, they are more likely to be sensitive to factors that indicate immediate benefits. Results from six experiments confirm that when the decision context is made more concrete, people's preferences shift from extensions of high fit, low quality brands to extensions of low fit, high quality brands. This preference shift towards extensions of lower fit, but higher quality brands occurs (1) when consumers are making choices rather than evaluations, (2) when they are provided with a (non-diagnostic) picture of the extension, and (3) when they are asked to imagine actually shopping for the product rather than assessing the quality of a proposed extension. Together, these results indicate that as the decision context becomes more similar to a concrete shopping environment, the benefits offered by high-quality brands become more persuasive, and violations of general market principles become less problematic. These findings highlight a concern in consumer research in general, and in branding research in particular. When asking people how they would decide in hypothetical situations, we implicitly encourage them to adopt an abstract, hypothetical mindset that may increase their reliance on abstract principles and lay theories.

■ TB13

Seminar Room 3.7 (Room 3026)

Bayesian Methodology and Application

Chair: Michael Braun, Assistant Professor of Marketing, MIT Sloan School of Management, 1 Amherst St., E40-173, Cambridge, MA, 02142, United States, braunm@mit.edu

1 - Building Brands

Berk Ataman, RSM Erasmus University, PO Box 1738, Rotterdam, 3000 DR, Netherlands, bataman@rsm.nl, Carl Mela, Harald van Heerde

Which marketing strategies are most effective for introducing new brands? This paper sheds light on this issue by ascribing growth performance to firms' post-launch marketing choices. We decompose the success of a new brand into its ultimate market potential and the rate with which it achieves this potential. To achieve this aim we formulate a Bayesian Dynamic Linear Model (DLM) of repeat purchase diffusion wherein growth and market potential are directly linked to the new brands' long-term advertising, promotion, distribution, and product strategy. We perform the analysis on 225 new brand introductions across 22 product categories over five years to develop generalized findings regarding the correlates of new brand success. We find that access to distribution breadth plays the greatest role in the success of a new brand and that investments in distribution and product innovation lead to greater marginal increases in revenue for new brands than either discounting, or feature/display, or advertising. Moreover, distribution interacts with other strategies to enhance their effectiveness. These findings underscore the utility of extending marketing mix models of new brand performance to include product and distribution decisions.

2 - Bayesian Analysis of Simultaneous Demand and Supply with Market-Level data - U.S. Auto Market

Yutaka Yonetani, University of Tsukuba, Tennohdai 1-1-1, Tsukuba, Japan, yyonetan@sk.tsukuba.ac.jp, Yuichiro Kanazawa, Satoshi Myojo

When predicting consumers' purchasing or firms' pricing behaviors in a differentiated product market, it is necessary to account for price endogeneity and consumers' heterogeneity (e.g., Chintagunta, 2001). Ignoring the endogeneity and heterogeneity leads respectively to estimation bias (Berry, 1994; Villas-Boas et al., 1999) and to problematic substitution patterns (Berry et al., 1995). There are two major models to account for price endogeneity and consumers' heterogeneity: one by Berry et al. (1995) in a frequentist's framework; the other by Yang et al. (2003) in a Bayesian framework. Both are simultaneous demand and supply models to address the endogeneity. Both incorporate the heterogeneity in the utility functions: Berry et al. (1995) use a random coefficient utility function; and Yang et al. (2003) assume that the utility coefficients have distributions. The model parameters are estimated by the Generalized Method of Moment using instruments in Berry et al. (1995), while by the Markov Chain Monte Carlo method in Yang et al. (2003). Although Berry et al.'s (1995) model requires only market-level data, Yang et al.'s (2003) needs consumers' purchase incidence data which in some cases are difficult to obtain. To the best of our knowledge, no model has been developed in a Bayesian framework for market-level data. In this paper, extending Yang et al.'s (2003) full information model, we develop a model with only market-level data. The model is then applied to the U.S. automobile market where market-shares and product-characteristics are publicly available relatively precise.

3 - Preference Revision in Joint Choice Decisions

Moon Young Kang, Ph.D. Student, University of Wisconsin-Madison, 975 University Ave, 1200 Grainger Hall, Madison, WI, 53706, United States, mkang@bus.wisc.edu, Anocha Aribarg, Neeraj Arora

Choice decisions in the marketplace are often made by a collection of individuals. Each member's initial attribute preference and subsequent revision—caused by the other members' preference—is known to be an important piece of the joint choice decision puzzle. For example, a parent's cell phone brand preference is likely to be updated in light of his daughter's preference, thus affecting the joint choice decision that they would collectively make. The focus of this research is on developing a better understanding of the preference revision process in joint choice decisions. Our research approach involves the use of conjoint experiments and a hierarchical Bayes model. We design a study involving cell phone choice and collect data from parents and teenagers. In addition to obtaining choice data we also measure attribute desirability by asking respondents to classify features into the three categories of "Must have," "Nice to have," or "Don't need." We use the terms "congruent" and "incongruent" to obtain a measure of attribute desirability at the dyadic level. Using a variety of model specifications, we show that an individual's preference revision is systematically related to the preferences of the other member in the dyad. The pattern of preference revision is consistent with the group polarization phenomenon and a large heterogeneity in preference revision across individuals and attributes is uncovered. The results suggest the need for developing a modeling framework that informs joint choice decisions by formally incorporating preference revision.

4 - Variational Methods for Large-Scale Bayesian Inference

Michael Braun, Assistant Professor of Marketing, MIT Sloan School of Management, 1 Amherst St., E40-173, Cambridge, MA, 02142, United States, braunm@mit.edu, Jon McAuliffe

While Markov chain Monte Carlo is the method of choice for estimation of Bayesian models with heterogeneous parameters, its lack of scalability has hindered its widespread use for many practical problems. Since posterior distributions are characterized stochastically by generating thousands of random draws for each parameter in every heterogeneous unit, MCMC fails under time and storage constraints when the numbers of households and parameters are large. This problem is particularly acute when parameters are heterogeneous, when the model is weakly identified, and when rapid (even real-time) estimation is desired. We introduce variational methods to the marketing literature as a way to conduct Bayesian inference when customer datasets are too big for effective implementation of MCMC. Rather than approximating the posterior distribution stochastically, variational methods return a deterministic estimator consisting of distributions of known functional form. The parameters of these variational distributions characterize the full posterior distribution more parsimoniously than MCMC draws, and require many fewer iterations through the algorithm. These methods avoid concerns like assessing the convergence of Markov chains to their stationary distributions, and the role of autocorrelation in reducing numerical efficiency of draws.

■ TB14

Seminar Room 3.8 (Room 3028)

Services Marketing I

Chair: Peter De Maeyer, Assistant Professor, Singapore Management University, 50 Stamford Road, Singapore, 178899, peter@smu.edu.sg

1 - Customer Integration Competence and Customer Satisfaction with Mass Customization Offerings

Melanie Müller, Technical University Munich, Institute IOM, Leopoldstr. 139, Munich, Ba, 80804, Germany, melanie.mueller@wi.tum.de, Ralf Reichwald, Frank Piller, Vivien Dollinger

Mass customization is a concept that describes the production of goods and services to meet an individual customer's needs. The production and provision of the custom solution takes place with an efficiency that can be compared with that of mass production. This paper addresses the mass customization concept from the perspective of the customer at the interface of the mass customization sales system, an aspect that has only recently been addressed in the literature. This is astonishing, as the customer co-design process is the defining element of a mass customization strategy; co-design activities are performed in an act of interaction and cooperation between the customer and the sales system of the product provider. The customer co-design of (tangible) products corresponds to a phenomenon that has been previously discussed in service marketing and B2B literature, but it is new for consumer product markets. Based on research from the area of service marketing, we argue in this paper that the quality of fulfillment of the co-design task, which is responsible

for the quality of the (custom) product, is highly dependent on the skills and competence of the particular customer performing this task. We assume that this customer integration competence comprises four facets: the customers' product and application competence, social skills, methodological knowledge, and personal motivation. Using data (customer surveys) from four different mass customization providers, we show that customer integration competence is multi-dimensional and is an important, not yet recognized antecedent of perceived service quality and customer satisfaction with mass customization offerings.

2 - Good for the Goose or Gander? Effect of Participation Climate on Customer and Employee Satisfaction

C.K. (Bennett) Yim, Associate Professor of Marketing, School of Business, University of Hong Kong, Meng Wah Complex, Pokfulam Road, Hong Kong, - ROC, yim@business.hku.hk,
David K. Tse, Kimmy Wa Chan, Simon Lam

A dyadic approach is taken to examine the effect of customer participation climate on both customer and employee satisfaction in a financial service setting. Potential productivity gains in services have motivated marketing and management researchers to examine how customer participation affects customer satisfaction and firm profitability. Despite a growing body of conceptual and empirical literature on customer participation, there are conflicting viewpoints and findings regarding its effects on customer satisfaction. The often lopsided advocate of customer participation as a source of productivity gains also fails to recognize any of its negative effects. This study attempts to address these two voids by investigating the dual role of customer participation climate as a company orientation. Specifically, a positive (negative) effect of customer participation climate on customer (employee) satisfaction mediated by customers' value attainment (employees' role stressors) is hypothesized and tested. A moderating effect of culture measured in terms of power distance and individualism/collectivism is also considered. Empirical tests were conducted on a dyadic dataset collected from 260 teams of employees (and their customers) working at the Hong Kong (141 teams) and U.S. (119 teams) offices of a global financial institution. Results support the hypotheses that a strong customer participation climate helps enhance customer satisfaction but only if customer value is attained; however, it reduces employee satisfaction because of heightened job stress. Customers who reported a greater power distance also perceive a lower value of customer participation climate while employees who are collectivists perceive a lower job stress when customer participation is encouraged.

3 - Modeling Plan Choice in Cell Phone Subscription

Juin Kuan Chong, Associate Professor, National University of Singapore, 1 Business Link, S117592, Singapore, bizcjk@nus.edu.sg, Khim Yong Goh

We investigate the plan upgrading and downgrading behavior in cell phone subscription. Plan change is driven by a change in usage behavior and consumer risk aversion to both over-usage and under-usage of quota associated with specific plan. Our model explains the asymmetric response to an increase in usage versus decrease in usage.

4 - An Exploratory Study of the Impact of Offshore Outsourcing on Service Quality Perceptions

Peter De Maeyer, Assistant Professor, Singapore Management University, 50 Stamford Road, Singapore, 178899, peter@smu.edu.sg, Hooman Estelami

In recent years, a growing practice in the management of service organizations has been to provide customer service through outsourced service centers located outside the host country. This practice, referred to as offshore outsourcing, is often motivated by cost considerations and has witnessed a significant growth in a variety of service industries. Despite this growth, no study to date has systematically examined how, if at all, offshore outsourcing may influence consumer perceptions of service encounters. Furthermore, the potential relationships that might exist between offshore outsourcing and business characteristics such as firm reputation and service delivery capabilities have not been examined. In this paper, the impact of offshore outsourcing on customer perceptions of service encounters is empirically examined. Utilizing an experimental design the influence of outsourcing, in combination with firm reputation and service encounter outcome on critical customer responses such as service quality evaluations, loyalty, and value perceptions is systematically examined. Results indicate that while outsourcing may negatively influence specific dimensions of customer perceptions, the magnitude of the impact is dependent on the context in which the service is delivered.

■ TB15

Seminar Room 3.9 (Room 3029)

Empirical B2B Research

Chair: Kapil Tuli, Assistant Professor, Singapore Management University, Kapilrtuli@smu.edu.sg

1 - A Latent Growth Curve Analysis of the Impact of Partner Selection on Organizational Outcomes

Kenneth H. Wathne, Assistant Professor, University of Wisconsin-Madison, School of Business, 3102 Grainger Hall, 975 University Avenue, Madison, WI, 53706-1323, United States, kwathne@bus.wisc.edu, Kersi D. Antia

As firms rely on external business partners to perform needed functions in ever increasing numbers, the issue of partner selection takes on added importance. In interfirm relationships, partner selection can be implemented through various kinds of screening and qualification efforts. For instance, a supplier may use a qualification program to evaluate resellers' abilities (e.g., physical premises, financial strength, etc.). In addition, qualification programs may serve "bonding" or socialization purposes, by virtue of exposing prospective resellers to a supplier's business philosophy. To the extent that the qualification process itself is costly or time consuming, it also allows appropriate resellers to self-select into the relationship. While previous research suggests that such efforts can play an important role in the success of relationships, empirical studies that test the strategies underlying varying selection efforts and their effects on organizational outcomes are surprisingly absent. One context where the need for careful partner selection manifests itself is in the business format franchising context, characterized as it is by frequently far flung independently owned and operated locations, all sharing a common brand name. The present study uses detailed archival (contract-sourced) information on partner selection strategies as well as growth, relational, and financial outcomes realized by 1000 business format franchisors competing in 10 different service sectors over a 9-year period. We specify a latent growth curve model to account for unobserved heterogeneity across firms and operating sectors, and test a set of hypotheses relating partner selection strategies to multiple immediate and long-term organizational outcomes.

2 - The Impact of the Consistency of Channel Strategies Within a Territory on Channel Satisfaction

Alberto Sa Vinhas, Assistant Professor, Emory University, Goizueta Business School, Atlanta, GA, 30322, United States, alberto_sa_vinhas@bus.emory.edu, Jan Heide, Sandy Jap

The focus of this study is on a manufacturer's use of relationship management devices across different distribution channels within a large sales territory. Most of the previous research on relationship management has been limited in scope to individual manufacturer-reseller dyads. Consistent with this research, we posit that a given device, when deployed in a particular reseller relationship, will directly influence relationship quality in the focal dyad. However, we go beyond past research to suggest that dyad-level relationship quality is also driven by a reseller's perception of the consistency with which the focal device is implemented across channel relationships (i.e. within the overall territory). Our general argument is that the effect of a given relationship device has a disaggregated (relationship-level) as well as an aggregated (system-level) component. We consider two different relationship devices, namely 1) structural or hierarchical mechanisms and 2) incentives. Building on institutional and signaling theories, we advance a set of contingency factors. We find support for our hypotheses in a sample of more than 800 observations corresponding to different resellers selling a manufacturer's product-line across 245 territories. Our research paints a complex picture of relationship management, by showing that the overall consistency of a firm's relationship practices impacts dyadic outcomes above and beyond the absolute level at which a given device is deployed within a particular dyad.

3 - The Strategic Role of Marketing in Managing Risk: The Case for Customer Retention

Kapil Tuli, Assistant Professor, Singapore Management University, Kapilrtuli@smu.edu.sg, Sundar Bharadwaj

Case studies and widely disseminated anecdotal evidence provide strong evidence in favor of customer relationship strategies. While these studies have added substantially to our knowledge of the association between customer relationship and profitability, there is still a substantial gap in the literature. Specifically, profit is only one aspect of performance with risk being the other. However, neither case studies, nor academic studies examine the impact of a customer relationship strategy on the risks faced by a firm. Conventional wisdom from economics and accounting indicates that diversifying away risk is the best strategy. However, a

strategy of customer retention rather than acquisition seems to run counter to such a recommendation. The purpose of this study is to investigate the risk impact of a customer retention strategy. The authors identify the multiple dimensions of risk for a firm and construct a dynamic panel dataset to test their propositions.

■ TB16

Seminar Room 3.10 (Room 3031)

Market Research I: Methodologies in CRM

Chair: Doug Walker, University of Houston, 334 Melcher Hall, Houston, TX, United States, dmwalker@uh.edu

1 - Customized New Product Recommendation in CRM Database

Hsiu-Wen Liu, Doctoral Candidate, National Taiwan University, IB Dept., 8F, No. 50, Lane 144, Sec. 4., Kee Lung Rd., Taipei, 11041, Taiwan, d91724003@ntu.edu.tw, Kung-Hsin Shao, Lichung Jen

Nearly half of U.S. implementations and more than 80 percents of European implementations of CRM projects are considered failures (Patron 2002). Although discussing the CRM failure is beyond the scope of this study, we think that they might lack of the ability to identify heterogeneity in demand so that performs poorly in new product recommendation. Thus, the purpose of this study is to develop a method for firms to improve their ability in customized new product recommendation based on CRM database. The hierarchical Bayes inference of probit model is applied to identify consumer heterogeneity. The performance of hierarchical Bayes probit model will be compared with other models such as finite mixture probit model and aggregate probit model. The customer sample is based upon random selected customers in a home electronic retailer's CRM database. To apply choice model in this kinds of data is challenging because of the following reasons: (1) companies do not record choice alternatives; (2) most of purchased products are durable goods; (3) records of each customer are sparse; and (4) transactions are across different product categories. Our interest is to examine whether the proposed approach could overcome these challenges. The results of this study show that the developed method performs very well in either hierarchical Bayes probit model or finite mixture probit model. In general, hierarchical Bayes probit model out performs other models. Accordingly, we suggest that the proposed method could be applied to improve the performance of CRM.

2 - A P-SVM Based Model for Data Mining Using Chaos Optimization and Pair-wise Comparison

Xuesong Guo, Xián Jiaotong University, Shaanxi China, Xián, China, xuesongguo@mail.xjtu.edu.cn

Artificial intelligence (AI) has been applied widely in the area of data mining. Recently, a new AI technology, called as "support vector machine (SVM)", is applied as a new approach in the area with higher generalization performance than other traditional AI technologies, i.e. artificial neural network. But, a central problem in data mining is still the need to identify a sufficiently large set of key attributes. When the set is too small, obviously there will be insufficient information to learn the customer profile. However, having too many attributes can also be problematic, as these results in a large number of trainable parameters in the model and consequently poor performance. In order to accomplish attributes selection when traditional technologies including standard SVM and artificial neural network etc. are applied, many complex algorithms, i.e., GA, chaos optimization etc. have to be used only to improve computation consumption. Aiming at accomplishing more scientific and reasonable attributes selection based on various factors, potential support vector machine (P-SVM), which selects optimal classifier using "support feature" by exchanging the roles of data points and features in contrast to standard SVM, is introduced to solve the problem of optimal attributes selection. On the other hand, pair-wise comparison is applied to solve the multi-class problem in data mining. Moreover, chaos optimization is applied to accomplish the appropriate parameters selection so as to improve the performance of P-SVM as much as possible. Some simulations show that the P-SVM based data mining method can perform much higher generalization performance than those based on standard SVM and accomplish more scientific and reasonable attributes selection.

3 - Precision and Selectivity in Database Marketing

Doug Walker, University of Houston, 334 Melcher Hall, Houston, TX, United States, dmwalker@uh.edu, James Hess

Firms can collect and store mountains of data on prospects, but at a cost. So how much data is enough? Even once firms have this data, they still must decide which prospects are "qualified" to receive the next offer. Which addresses should get the next direct mailing? This paper addresses the following questions by presenting and analyzing an analytic model: How much data should a firm collect and store to qualify prospects? How selective should a firm be when determining which

prospects will get an offer? Intuitively, managers should be less selective when determining which prospects get offers when their contribution margins increase, and likewise, more selective when the cost of making the offer increases. The model confirms this intuition. Intuition would also suggest that when the contribution margin for an accepted offer increases, firms should be less concerned about qualifying precision. Surprisingly, but justifiably, the model supports an argument for increasing spending to improve qualifying precision when margins increase, even while selectiveness decreases. Interestingly, the optimal response for spending on data in reaction to changes in the cost of making an offer is a conditional one. When the cost of making an offer increases, firms should decrease their spending on data, consistent with the response to a change in the contribution margin, even though the penalty for making an offer that will be rejected is more severe. However, this should occur only when the ratio between the cost of making an offer and the contribution margin of an accepted offer is above a certain threshold.

Thursday, 1:30 - 3:00pm (Session TC)

■ TC01

Seminar Room 2.1 (Room 2001)

Business - Consumer Interaction: Bargaining, Negotiation and Relationship

Chair: Joydeep Srivastava, Associate Professor, University of Maryland, 3453 Van Munching Hall, Robert H. Smith School of Business, College Park, MD, 20742, United States, srivasta@rsmith.umd.edu

1 - Interpreting Concession Patterns in Marketing Negotiations: Trustworthy Behaviors and Faces

Rajesh Bagchi, Doctoral Candidate, Leeds School of Business, University of Colorado, UCB 419, Boulder, CO, 80309-0419, United States, Rajesh.Bagchi@Colorado.edu, Dipankar Chakravarti

Price concessions are often used strategically in marketing negotiations. However, since price concession patterns are inherently ambiguous, their impact may depend on how bargaining opponents interpret them. Large initial concessions followed by more moderate concessions may signal a good deal. Alternately this may simply reflect a ruse designed to convey that no further concessions are likely. Prior negotiations research suggests that trust reputations often influence interpretation of ambiguous communications. Such interpretations then influence bargaining. Prior behavior may provide one set of cues to trustworthiness. Also, the recent literature in social neuroscience shows that even facial features influence people (sometimes fallibly) in social interactions and may influence trustworthiness inferences. These interpretations may then influence the future course of bargaining and the eventual outcomes. The present research examines how cues involving prior (un)trustworthy behaviors and (un)trustworthy faces influence the interpretation of concession patterns in marketing negotiations. The studies are set in a common automobile purchase negotiation context. The behavioral cues are manipulated via a scenario describing behaviors that may be construed as trustworthy or untrustworthy. The facial cues are manipulated using pictures of the purported salesperson, calibrated for perception as trustworthy or untrustworthy. The concession patterns are manipulated at two levels (convex-soft/hard and concave-hard/soft). We examine how participants interpret the concession pattern as a function of the facial and behavioral manipulation and explore its effects on bargaining processes and outcomes.

2 - Relationship Proneness - The Concept, its Dimensions and Indicators

Alberto Marcati, Professor, LUISS Guido Carli, Viale Pola 12, Roma, 00198, Italy, amarcati@luiss.it, Claudio Barbaranelli, Michele Vecchione

Among the antecedents that help explain the unique features and the evolution of buyer-seller relations, researchers have investigated the "relational orientation" - or "relationship proneness" - of customers, defined as a conscious tendency to engage in stable exchanges (De Wulf, Odekerken-Schroeder and Iacobucci 2001; Odekerken-Schroeder, De Wulf and Schumacher 2003). Occasionally, reference has been made to a multi-dimensional approach, by taking into account not only the "long term" orientation of customers, but also their interest in establishing a personal contact with the supplier and in getting special and personalized treatment. But research has failed to make real progress in this direction. To fully appreciate the multi-faceted nature and role of "relationship proneness", we have studied its components, building upon literature in socio-psychology (Fiske, 2000; Robins, Caspi, and Moffitt 2000). In addition, we have analyzed some of its antecedents, and in

particular stable personality traits, that have been shown to have an influence on relationships (Aaker, Fournier and Brasel 2004); but also, among the many “consequences”, we have taken into account behavioral intentions or relationship outcomes (De Wulf, Odekerken-Schroeder and Iacobucci 2001; Odekerken-Schroeder, De Wulf and Schumacher 2003). In the paper, we show, first of all, that “relationship proneness” is a multi-dimensional construct and we study its dimensions; then, we analyze the structure of links of those dimensions to their antecedents and consequences; finally, we show how the construct and the structure of relations change across product/ service categories.

3 - Does Trusting Your Feelings Make You Less of an Economic Man? Results From Ultimatum Games

Andrew Stephen, Doctoral Student, Columbia University, Graduate School of Business, 3022 Broadway, Uris 311, New York, NY, 10027, United States, astephen05@gsb.columbia.edu,
Michel Tuan Pham

This research examines across four experiments how differences in how much people trust their feelings influence their behavior in ultimatum games. In each experiment, the momentary trust that players had in their feelings was subtly manipulated and their behavior as proposers or as responders was examined. Experiment 1 shows that proposers who trust their feelings more make less generous offers than proposers who trust their feelings less. Interestingly, while the offers made by proposers who trusted their feelings more were less generous, most of these offers were still in a range that made them likely to be accepted. On the other hand, proposers who trusted their feelings less tended to make offers that were slightly too generous. Experiment 2 shows the same pattern in the dictator version of the game where responders had to accept the offer. Interestingly, the offers of players with higher trust in their feelings appeared to reflect stronger strategic adjustment to the dictator nature of the game than those of players with lower trust in their feelings. Experiment 3 suggests that this phenomenon is not driven by different perceptions of what players with higher versus lower trust in their feelings see as “fair” divisions. Experiment 4 shows that responders with higher trust in their feelings are more likely to reject unfair offers than responders with lower trust in their feelings, but not more likely to reject fairer offers. It is proposed that high trust in one’s feelings leads players to represent offers in a more self-focused and literal fashion and play the game in a manner that may be ecologically rational and result in higher long-term welfare.

4 - Fairness and Anger: Coupling and Decoupling of Emotions in Ultimatum Bargaining

Joydeep Srivastava, Associate Professor, University of Maryland, 3453 Van Munching Hall, Robert H. Smith School of Business, College Park, MD, 20742, United States, srivasta@rhsmith.umd.edu

This article investigates the role of emotions in bargaining. In three ultimatum bargaining studies, we show that responders’ (un)fairness appraisal of a low offer elicits the specific emotion of anger. Because anger is associated with action tendencies against the cause of the anger, responders punish proposers by rejecting unfair offers. As a first step, Study 1 shows that fairness appraisals and anger are strongly coupled such that the effect of fairness appraisals on behavior is mediated by anger. Studies 2 and 3 demonstrate that responders’ punitive (or aggressive) behavior can be attenuated. Specifically, Study 2 shows that although fairness appraisals and anger with the offer do not change, the rejection rate significantly drops when responders misattribute their anger to an unrelated cause. Study 3 contrasts anger with sadness and shows that the specific emotion of anger underlies rejections of unfair offers rather than the overall negative valence of the emotion. The three studies provide strong evidence for the role of anger in explaining responders’ behavior when confronted with an unfair offer and that misattribution of the anger reduces responders’ aggressive behavior. Theoretical and managerial implications of our findings are discussed.

■ TC02

Seminar Room 2.2 (Room 2002)

International Marketing II

Chair: Jeffrey Podoshen, Asst. Professor, Franklin and Marshall College, PO Box 3003, Lancaster, PA, 17604, United States, jpodoshe@fandm.edu

1 - Information Asymmetry and Relationship Outcome in Client-Agency Relationship

Wenyu Dou, City University of Hong Kong, 83 Tat Chee Avenue, Department of Marketing, Kowloon, Hong Kong - ROC, mkwydou@cityu.edu.hk, Nan Zhou, Hairong Li

Client-agency relationship has attracted much research interests over the past 30 years, especially in the field of advertising. However, in the international marketing setting, few studies have investigated how cross-cultural factors may influence the relationship outcomes between

multinational advertising agencies and their indigenous clients in the host countries. This issue is especially acute in emerging economies (e.g., China): the indigenous clients may have developed their own ways of conducting business, which may be at odds with the more institutionalized operations of multinational ad agencies that have been serving multinational clients primarily thus so far. Using an agency theory approach, this study investigates how bi-directional information asymmetry between these two parties can affect goal congruency and subsequently the relationship outcomes. In addition, we explore the impact of two organizational capabilities, i.e., the learning orientation and adaptation of each party, in moderating the links between information asymmetry to goal incongruence and to relationship outcomes. We tested our main research hypothesis with a sample of Chinese firms that have hired multinational ad agencies to develop advertising campaigns. Our analysis results indicate support for the study hypotheses. In general, it was observed that bi-directional information asymmetry leads to goal incongruence and subsequently unfavorable relationship outcomes. However, this type of negative effect can be mitigated by the learning orientation and adaptation capability of multinational agencies or their indigenous clients.

2 - Generation Plastic or Generation Debt? Credit Card Usage Among College Students in USA and India

Avinandan Mukherjee, Professor of Marketing, Montclair State University, School of Business, Partridge Hall, Montclair, NJ, 07043, United States, mukherjeeav@mail.montclair.edu, Mary Beth Pinto

Understanding credit and credit management is critical for the future financial planning of today’s youth. Using a sample of students in an American university and an Indian university, our research tests a multivariate model linking demographics, socialization agents, materialism, attitude towards credit, and credit card usage through structural equation modeling. Comparisons are made between the US and Indian samples, which point to interesting differences in credit card usage and its predictors in the two cases.

3 - The Changing Landscape of Japanese Advertising: An Exploratory Look at Western Influence

Jeffrey Podoshen, Asst. Professor, Franklin and Marshall College, PO Box 3003, Lancaster, PA, 17604, United States, jpodoshe@fandm.edu, Pattarapong Nitikarn

As the world gets smaller, and the phenomenon of culture swapping increases at a more rapid rate, the study of the perception of cross-cultural influence and its implications on greater society - whether it be viewed as positive or negative, comes to the forefront of interest. Western (specifically American) culture, long criticized by many in Asian cultures as being overtly sexual, and one that promotes conspicuous consumption, has captivated the younger, upwardly-mobile generations of Asian consumers. This situation is especially representative in modern Japan, where younger Japanese consumers are becoming more capable of purchasing their desired products through an increase in discretionary spending. With this in mind, they have become a prime target for advertisers. Sato and Kato (2005) warned that there appears to be a need for more “responsible” marketing and advertising strategy in Japan to prevent the exploitation of the younger generations. This exploratory paper looks to measure current attitudes, perceptions and differences of Japanese consumers regarding the current state of advertising in their home country, with specific emphasis on the level of Western influence, and with distinctions based on age and gender. Data was obtained from multiple cities in Japan in 2006 from citizens of a variety of demographic groups. Results show that differing attitudes regarding advertising in Japan, and the affinity towards western influence in Japanese ads is largely based on gender and age - related variables.

■ TC03

Seminar Room 2.3 (Room 2004)

Pharmaceutical Marketing III

Chair: Marc Fischer, Assistant Professor, Christian-Albrechts-University at Kiel, Olshausenstr. 40, Kiel, 24098, Germany, marc.fischer@bwl.uni-kiel.de

1 - Firms’ Rules of Thumb and the Measurement of Marketing Effects: A Regression Discontinuity Approach

Sridhar Narayanan, Assistant Professor of Marketing, Stanford University, Graduate School of Business, 518 Memorial Way, Stanford, CA, 94305, United States, sridhar.narayanan@stanford.edu, Wesley Hartmann, Harikesh Nair

We propose a non-parametric approach, based on a Regression Discontinuity design to obtain consistent estimates of marketing mix effects in contexts where marketing activities are likely to be endogenous. Endogeneity concerns arise when marketing mix decisions are

based on aspects of the underlying sales or consumer response function. Our approach exploits the fact that in many common contexts, firms' marketing mix decisions are based on discontinuous rules of thumb. These discontinuities generate a natural source of identification, which can be exploited to obtain a valid measure of the effect of these on response variables of interest. Our approach is applicable to any setting in which decisions are based on whether an underlying continuous variable crosses a threshold. Notable examples include situations where prices or advertising are set according to whether sales fall above or below a target threshold; marketing promotions to current customers are triggered based on periods of inactivity; and credit-line and interest-rate are determined by credit card providers based on consumers' credit card scores. We discuss how estimates of the underlying marketing variables of interest can be obtained non-parametrically via local linear regression methods. We present an empirical application to the measurement of the effect of personalized sales-calls ("detailing") to physicians in the pharmaceutical industry. We exploit the institutional feature of the industry whereby detailing is allocated to each physician based on his position in deciles of past prescription volume. Our estimates indicate significant effects of detailing on prescriptions. Controlling for firms' endogenous detailing allocation is shown to have important implications for the measured effects.

2 - Dynamic Marketing Mix Allocation for Long-Term Profitability

Ricardo Montoya, Ph.D. Student, Columbia University, Columbia Business School, 3022 Broadway, Rm 311 Uris Hall, New York, NY, 10027, United States, rm2183@columbia.edu, Oded Netzer, Kamel Jedidi

To optimally allocate its marketing mix across customers, a firm needs to consider the evolution of its customers over time. Intrinsic changes in customers' preferences as well as changes in the marketing environment may discretely shift customers into different buying-behavior states. The ability to identify the dynamics in customer behavior and its drivers presents an opportunity for the firm to allocate its marketing mix and influence the movement of customers to more favorable states of buying behavior. In this research we address three key managerial questions. First, how can the firm dynamically segment its customer base? Second, what are the short and long-term effects of marketing activities? Third, how should the firm allocate and target its marketing resources to maximize long-term profitability? To address these questions we propose a non-homogeneous hidden Markov model that accounts for dynamics in customer behavior and the short and long-term impacts of marketing actions. We capture dynamics by allowing customers to transition among a set of latent states of buying behavior. These transitions are dynamically affected by the firm's marketing actions. To optimally allocate the marketing resources, we propose a dynamic programming approach which takes into account the stochastic and latent evolution of customers' behavior and the short and long-term effects of marketing actions. We illustrate the model using direct-to-physicians marketing data. The results suggest that physicians present a high degree of dynamics. Furthermore, the marketing activities offered by pharmaceutical companies vary in terms of their short and long-term impacts. Taking these into account, we are able to improve the firm's long-term marketing mix allocation strategy.

3 - Patient- or Physician-Oriented Marketing: What Drives Primary Demand for Prescription Drugs?

Marc Fischer, Assistant Professor, Christian-Albrechts-University at Kiel, Olshausenstr. 40, Kiel, 24098, Germany, marc.fischer@bwl.uni-kiel.de, Sönke Albers

What drives primary demand for prescription drugs? In this paper, we analyze the primary demand effects of marketing efforts directed at the physician (detailing and professional journal advertising) versus marketing efforts directed at the patient (direct-to-consumer advertising). We study 86 categories of the US pharmaceutical market in the period 2000-2005 and derive generalizable results about the primary demand effects. Variation of primary demand effects across categories can be partly explained by several descriptor variables. In addition to the empirical contribution, we provide a methodological contribution by developing a new method for estimating primary demand effects with aggregate data at the brand level instead of the category level. The traditional approach is to use a model of category sales that would lose too much information due to the high level of data aggregation. The proposed method avoids such a loss of information by estimating a brand sales model in a first step. Primary demand effects are inferred in a second step by aggregating brand-specific marketing parameters.

TC04

Seminar Room 2.4 (Room 2005)

Decision Research III - Loss Aversion & Context Effects

Chair: Young-Won Ha, Professor of Marketing, Sogang University, 1 Shinsoo-dong, Mapo-gu, Seoul, 121-742, South Korea, ywha@sogang.ac.kr

1 - The Effect of Decision Sequence on Choice Demotivation

Mark Heitmann, University of the St. Gallen, Guisanstr. 1a, St. Gallen, 9000, Switzerland, mark.heitmann@unisg.ch, Sheena Iyengar, Jonathan Levav, Andreas Herrmann

What factors determine choice demotivation? Iyengar and Lepper (2000) conclude that choice demotivation is a consequence of having too great a variety of options to choose from. In this paper we conduct two field experiments to test the effect of attribute order and variety in sequential choice. Participants were prospective Audi car customers in Germany. We chose 8 target attributes and placed them at the beginning of a car configuration sequence. Each attribute consists of different numbers of levels. Participants were randomly assigned to one of three conditions. Our Hi-to-Lo condition ordered the target attributes from most to least variety; our Lo-to-Hi condition was the exact opposite. A control condition used a random sequence. Our dependent variable was participants' propensity to accept the default attribute level at each of the eight stages of the decision sequence. As one would expect from taste heterogeneity, we find that as variety increases likelihood accepting the default decreases. Second, we find a main effect of depletion (i.e., fatigue) such that as participants proceed from one decision stage to the next, their likelihood of accepting the default increases. Third, greater attribute importance is associated with a decrease in default choice for that attribute. However, this relationship is qualified by an importance by decision stage interaction, such that the effect of importance on the probability of accepting the default diminishes as participants advance in the choice sequence. Interestingly, we find that the slope of the depletion effect is steeper in the Hi-to-Lo condition than in the Lo-to-Hi condition. In other words, choice demotivation occurs even for small choice set sizes, provided these followed larger choice sets.

2 - Complexity Effects on Consumer Choice Consistency

Bas Donkers, Erasmus University Rotterdam, Postbus 1738, Rotterdam, ZH, Netherlands, donkers@few.eur.nl, Benedict Dellaert

The consistency with which consumers make product choices has important consequences for organizations that wish to anticipate on consumers' preferences when setting their marketing actions. In this study we focus on choice complexity as one potentially important driver of consumer choice consistency. We distinguish between task-based and context-based complexity. Task-based complexity refers to the number of cognitive steps a consumer needs to choose an optimal product, while context-based complexity refers to the difficulty of the trade offs that consumers have to make. We empirically analyze the effects of choice set complexity on choice consistency. First in terms of the probability of choosing the same alternative in a repeated choice task, and second in terms of variations in choice strategy used in choice tasks of different levels of complexity. We investigate explanations for complexity effects offered in the literature and suggest an alternative approach. Our results show that effects of complexity on choice consistency are significant, but non-straightforward, and that estimation requires strong corrections for model accuracy variations.

3 - The Impact of Adding Unique Categorical Features on Choice: Implications for Context Effects

Young-Won Ha, Professor of Marketing, Sogang University, 1 Shinsoo-dong, Mapo-gu, Seoul, 121-742, South Korea, ywha@sogang.ac.kr, Sehoon Park, Hee-Kyung Ahn

This research examines the impact of adding an important categorical attribute on consumer choice using tasks similar to those employed in context effect studies. In Study 1, we show that the attraction effect is attenuated but the compromise effect persists when an important categorical attribute comprising unique features is added to the options in the choice sets. The results suggest that across-category processing may have been inhibited in the asymmetric dominance condition whereas the quantitative attribute-based processing might be dominant in the compromise condition. Think-aloud protocol data collected in Study 2 reveal that the attenuation of the attraction effect was due to the pre-dominance of top-down or category-based choice processes, whereas the persistence of the compromise effect may well have been caused by the respondents' reliance on bottom-up processes based on quantitative attributes. Findings indicate that the category-based, hierarchical choice process is used as an element of a choice heuristic only if such a process can easily resolve choice problem at hand. Study 3, using brand names

as a categorical attribute, replicates the results from Study 1. The results suggest that the addition of an important categorical attribute that differentiates the target and the competing option decreases the attraction effect but does not significantly affect the compromise effect. Taken together, the three studies provide insights into how the categorical relationships of the options influence consumer choice processes when they are pitted against local contexts such as the asymmetric dominance and compromise relationships. Finally, the findings' practical implications regarding competitive positioning are also discussed.

■ TC05

Seminar Room 2.5 (Room 2012)

Movie Marketing I

Chair: Xinlei (Jack) Chen, Assistant Professor, Sauder School of Business, University of British Columbia, 2053 Main Mall, Vancouver, BC, V6T 1Z2, Canada, jack.chen@sauder.ubc.ca

1 - Assessing the Roles of Professional Critics and User Reviews in Movie Choice

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Professional product reviews have been playing an important role in providing valuable information for consumers in many product categories, especially experience products. In recent years, consumers have access to a wide variety of information about products, which are generated through different mechanisms. A natural question arises: Do different types of information sources have different impacts on consumers? In this paper, we empirically assess the roles of professional reviews and user reviews in consumers' product choice decision in the Motion Picture industry. We collected the data for box office revenues, movie characteristics, individual professional movie critics and user reviews for 500 movies from July 2003 to August 2005. In order to understand the roles of the two types of reviews in movie choice, we first investigate the heterogeneity of their evaluations within and between the two types of reviews. In particular, we find a systematic difference between professional reviews and user reviews. This suggests that the information provided by each type contains different values to consumers. We provide possible explanations from the difference in their information generating mechanisms and the implications of different roles on consumers' choice of movies. The literature on the demand for movies has paid much attention to the aggregate impact of professional reviews and found it difficult to identify its influence effect. Our paper also adds to the literature the implications of the heterogeneity of individual reviews on movie choice by investigating how the evaluations by individual critics and users vary across movie characteristics and by examining the extent to which we can explain the influence effect by the heterogeneity.

2 - Simulating the Motion Picture Market: Why Do the Hits Take it All?

Sebastiano Delre, PhD Candidate, University of Groningen,
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s.a.delre@rug.nl, Marco Janssen, Wander Jager, Tammo Bijmolt

Why are shares of the motion picture market unequally distributed? Do the different qualities of the movies account for such an enormous difference in the market shares? Are mass media campaigns so effective to convince movie visitors to see the same movies? Or are there social processes that affect the movie visitors' decision making and direct them to visit the same movies? In this paper we propose an agent-based model that formalizes the movie visitors' decision-making as the sum of individual utility of seeing the movie and social influence. Our agent-based model distinguishes between quality messages that are connected with the characteristics of the movie and that determine the individual utility and advertising effects that create the buzz around the movie and that determine the social influence. In this way it is possible to study separately both the effect of movie characteristics and the effect of advertising on the final revenues of movies. We use the model to generate time series of movie life cycles at the box office and compare these with time series of real movies (Sawhney and Eliashberg, 1996). The results of simulation experiments indicate that market shares become unequally distributed as in the real market only if the model takes into account strong social influences in the decision making of the movie goers. Moreover, only when advertising messages dominate quality messages, the life cycles of the simulated movies resemble those of real data. This means that the success of movies heavily depends on the buzz generated around the movie. Consequently, a large part of the competition of the movies on the market is based more on the advertisement that aims at creating such a buzz than on the movie characteristics that determine the quality of the movie.

3 - Pre-release Expectation, Word of Mouth, and Backfire: Evidence from the Motion Pictures Industry

Chong Wang, PhD, Student, Hong Kong University of Science and Technology, Department of ISMT, SBM, HKUST, KL, Hong Kong, alexwch@ust.hk, Natasha Zhang Foutz, Xiaoquan Zhang

Is there an optimal level of pre-release advertising? Will over-hype result in consumer backfire? How can firms strategically manage consumer expectations prior to the release of their new products or services? These questions are both of great interests to both academics and managers. Prior studies establish that consumers' pre-release expectations can be influenced by pre-release advertising (Elberse and Anand 2006), that the price in online virtual stock markets can be amazingly accurate in reflecting consumer expectations (Pennock et al. 2006), and that WOM can be a good predictor of total revenue (Eliashberg and Shugan 1997). Combining pre-release market expectations, post-release WOM, and box office data, we empirically study the relationship between pre-release expectations and post-release WOM reactions. We find significant evidence for a "backfire" effect in post-release WOM, that is, over expectation could significantly lower the post-release WOM. This is true even after we control for various measure of movie qualities. This suggests that over-spending on pre-release advertising or overly elevating pre-release expectations in consumers can undermine the overall revenues of a new product or service. Effects of other pre-release factors are also analyzed to derive strategic insights on how firms can better manage consumer pre-release expectations.

4 - Learning About Movies: An Empirical Analysis of the Platform Release Strategy

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Major Hollywood studios typically release new movies in the United States in one of two ways, wide release or platform release. A "wide release" movie opens nationwide in a large number of theatres, ranging from several hundred to more than three thousand. In contrast, a platform release movie is typically released in a limited number of theaters in selected major cities. The number of theatres increases over time depending on the performance of the movie. With a positive performance, a studio will decide to bring the movie to national release at a certain point in time. In this paper, we investigate how release form affects the demand of a new movie. In particular, we present a formal learning model to capture consumers' decision to watch a movie. We estimate our model using a virtually complete sample of Hollywood movies that eventually received nationwide release from 1999 to 2003. Our results show that platform release shifts consumers' perception of unobservable movie appeal upward through its first stage performance. Although advertising has similar effects in terms of shaping consumers' prior belief, the first stage performance turns out to have a much stronger effect. Although there is no significant difference in advertising effect between release types, we find that platform movies decay faster than wide release ones. Using counterfactual analysis, we find that more than 75% of the platform movies will earn lower profits by switching to wide release; this result supports current industry practice with regard to platform release.

■ TC06

Seminar Room 2.6 (Room 2013)

Pricing III

Chair: David Soberman, Prof, INSEAD, Boulevard de Constance, Fontainebleau Cedex, 77305, France, david.soberman@insead.edu

1 - Assessing Market Value of Real Estate with a Geographically-Weighted Stochastic Frontier Model

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In this study we consider the problem of sellers, buyers and real estate appraisers in determining the price for a house taking into account the characteristics of the house and its location, as well as the goals of these three different parties. The appraiser's job is to determine the "fair" market value of the house, while the buyer and seller want to find the lowest and highest feasible price for it. We combine recent developments in geography and econometrics to develop an approach that determines local estimates of property values from the perspectives of the buyer, seller and appraiser, taking into account the characteristics of the house as well as its location. We illustrate our approach analyzing closing prices in one residential real estate market.

2 - Pricing of Delivery Services with Generalized Demand

Amiya Basu, Professor, Whitman School of Management, Syracuse University, 721 University Avenue, Syracuse, NY, 13244-2450, United States, abasu@som.syr.edu, Tridib Mazumdar, Charles Ingene

When serving spatially dispersed customers with unequal transportation costs, marketers usually apply one of the following pricing plans: a mill (FOB-origin) plan, a uniform-delivered plan, a multi-zone plan, or a menu plan that allows customers pick either a mill plan or a uniform-delivered or multi-zone plan. Previous research, based on linear demand, has shown that (1) the mill and single-zone plans are equally profitable, (2) a multi-zone plan, which is always more profitable than the mill plan, divides the market into equally wide zones, and (3) three to five zones are usually adequate to approximate the profit of the infeasible spatially-discriminatory (optimal) plan. Because demand is often non-linear, we examine the construction and profitability of a multi-zone plan for a generalized demand curve, and study how much an N-zone plan's profit deviates from that of an optimal plan, either due to serving a smaller market or charging a non-optimal price. For constant elasticity of demand, we obtain results that are sharply different from those with linear demand: (1) The mill plan is more profitable than a single-zone plan, (2) the multi-zone plan's zones are progressively wider further from the origin, and (3) the mill plan usually performs well compared to even the multi-zone plan. When price sensitivity and spatial dispersion are high, we show that it takes several zones to exceed the mill plan's profitability. We believe that observing the pricing plans that businesses utilize may give insights into the shape of demand curves that they face.

3 - Behavior and Location Based Price Discrimination in a Model with Overlapping Generations of Consumer

David Soberman, Prof, INSEAD, Boulevard de Constance, Fontainebleau Cedex, 77305, France, david.soberman@insead.edu, Amit Pazgal

Marketers now have access to better customer information and they also have improved ability to process this information. As a result, a burgeoning practice is for firms to make tailored offerings to customers based on individual-level information. In the case of pricing, firms sometimes offer individual-level prices through a combination of special offers and coupons. This has led to a research stream that examines the impact of tailored prices on firm behavior and performance (Thisse and Vives 1988 and Chen, Iyer and Padamanabhan 2002). Firms can also set prices that discriminate between new and repeat customers. Accordingly, there is research that examines the impact of prices that depend on the past behavior of customers (Fudenberg and Tirole 2000 and Villas-Boas 1999). A third possibility is for firms to collect detailed information from each existing customer and use this information to set a tailored price for subsequent purchases. This points to a pricing policy that straddles the two literatures cited above whereby a firm implements a combination of location and behavior based price discrimination. We study this phenomenon using a steady state spatial model in two different contexts: one where the second purchase is closely related to the first (e.g. additional drill bits for previous purchasers of drills) and a second context where the second product is unrelated to the first (e.g. microwave ovens and patio furniture). In general, we find that behavior/location based pricing can be profitable when implemented unilaterally. However, when both firms engage in the practice, the overall effect is to drive profits down.

TC07

Seminar Room 2.7 (Room 2014)

Customer Loyalty and Retention

Chair: Udo Wagner, Professor, University of Vienna, Bruenner Straase 72, 1210 Wien, Austria, Vienna, Austria, Udo.Wagner@univie.ac.at

1 - Building Customer Brand Loyalty in a Competitive Marketing Environment

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The survey focused on building customer brand loyalty through product differentiation. It attempted to determine the attitude of customers of multinational organizations in Southwestern Nigeria toward product differentiation. It further examined the effects of differentiation strategy on customers' purchase decision and determined the relationship that existed between product differentiation and brand loyalty. A multistage sampling technique was used to select 120 respondents who were gainfully employed and also categorized as decision makers. Both primary and secondary data were exploited for the study. Structured questionnaire was used in the collection of data, while Likert scale was used to measure the variables of the study. Regression analysis along with Spearman Rank Correlation analysis was employed in determining the relation-

ships between the variables of interest. The results showed that the factors in customer purchase decision such as product image, product positioning, and brand loyalty had positive relationship with product differentiation. Results of regression analysis showed a 0.989 change in customer attitude for every unit change in product differentiation. Spearman Rank correlation coefficient ($r_s=0.875$) also showed a positive linear relationship between brand loyalty and product differentiation. The result concluded that product differentiation had significant relationship with customer brand loyalty.

2 - Empirical Analysis on Loyalty and Switching Behavior of Electricity Customer

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In some countries such as Britain and Japan, electricity markets have been liberalized. It is becoming important for incumbent electricity suppliers to retain their customers. And it is also important for new entrant suppliers to acquire customers. For these marketing activities, it could be significant to understand switching suppliers of electricity customers. Electricity customers could have loyalty to their suppliers because they had kept purchasing electricity and receiving services from same suppliers until liberalization. However, loyalty could include both true loyalty (commitment) and seeming loyalty (switching cost). In this sense, they also could have switching cost because they had not had other alternatives of suppliers until liberalization. In this study, we focus on the roles of electricity customer loyalty, commitment and switching cost for understanding switching supplier in liberalized market. First, we develop measures of these concepts. Second, hypothesis about relationships between them is assumed and modeled. Third, we apply this model to electricity customers in some countries' markets and analyzed their switching behavior. By using this method, the following implications for marketing could be discussed. Commitment could be positive attitudes to suppliers. So, if commitment positively could affect loyalty, marketing activities could be effective for customer retention. On the other hand, switching cost could be dependent on customers' negative attitudes to switching. So, if switching cost could affect loyalty, loyalty could be seeming loyalty. This situation could be desirable for new entrants to acquire customers by decreasing switching costs and providing more beneficial services than those of incumbents.

3 - Customer Base Analysis: The Case for a Central Variant of the Beta-Geometric/NBD Model

Udo Wagner, Professor, University of Vienna, Bruenner Straase 72, 1210 Wien, Austria, Vienna, Austria, Udo.Wagner@univie.ac.at, Daniel Hoppe

Customer base analysis relies on marketing models to describe and predict long-term behavior of customers. A standard for non-contractual settings is the seminal Pareto/NBD model developed by Schmittlein et al. (1987). Fader et al. (2005) propose their Betageometric/NBD model as a drop-in replacement for the latter. We demonstrate that the Betageometric/NBD in its current form is not as versatile as the Pareto/NBD model and can thus be improved. We slightly change the assumptions regarding the defection behavior of customers. The resulting model, the central Betageometric/NBD model, fits more flexibly to different customers bases. This flexibility is demonstrated by applying the model to three empirical datasets of a catalog retailer.

■ TC08

Seminar Room 2.8 (Room 2015)

Antecedents of Innovation

Chair: Kevin Zhou, Assistant Professor, The University of Hong Kong, School of Business, University of HK, Pokfulam, Hong Kong - ROC, kevinzhou@business.hku.hk

1 - Role of Culture in Learning and Innovation Over Time: A Cultural Theory Approach

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How can incumbent firms create a culture for developing innovation in the long term? Past literature that links firm culture to innovations has viewed innovation as an outcome at a point in time and culture as being static. We make three contributions to this past literature. First, we view innovation as a dynamic process that begins with a radical innovation that is developed incrementally over time. Second, we view culture dynamically as composed of four world views or solidarities: competitive, hierarchical, egalitarian and fatalistic; that are in constant rivalry with one another but also need one another for their survival. Third, we take a learning view of creating a culture for innovating over time. We use arguments from Douglasian cultural theory, organizational learning and innovation literature to develop our conceptual framework. We build on recent work that shows incumbent firms that learn through mode of internal knowledge creation during radical phase and external knowledge transfer during incremental phase to develop more incremental innovations as compared to firms that learn through other combinations of learning modes. We argue that the hierarchical solidarity has a preference for internal knowledge creation, while the competitive solidarity has a preference for external knowledge transfer. Hence, we propose that incumbent firms that allow for predominance of hierarchical solidarity during the radical phase and of competitive solidarity during incremental phase are likely to develop more incremental innovations compared to firms that adopt other combinations of solidarities. This framework is useful for creating a dynamic culture that supports innovation in the long term.

2 - The Role of Strategic Flexibility of New Product Development Processes in Turbulent Environments

Anindita Chakravarty, PhD Candidate, Pennsylvania State University, Smeal College of Business, Dept. of Marketing, State College, 16801, United States, azc132@psu.edu, Rajdeep Grewal, Jean Johnson

To examine how managers administer new dynamic product development processes in turbulent environments, we adopt the concept of Strategic Flexibility to the new product development process and study its efficacy for new product radicalness and new product performance. We theorize that Strategic Flexibility in the context of new product development processes would manifest as Resource Flexibility and Coordination Flexibility. We investigate the consequences of these two forms of strategic flexibilities for new product radicalness and performance. To overrule the possibilities of aggregation biases and to account for unobserved heterogeneity, we used a concomitant variable latent class regression approach (with organizational size and innovativeness as concomitant profiling variables), where we examine the possibilities of multiple regimes (i.e., latent segments). With survey data from 232 high technology firms, latent class analysis reveals the presence of four distinct latent regimes of firms. The results show that for a majority of firms, resource flexibility and coordination flexibility are effective drivers of new product radicalness under technological turbulence rather than market turbulence. The results further suggest that under high levels of technological turbulence, smaller firms are able to more effectively reap the benefits from resource and coordination flexibility in terms of developing radical new products than larger firms. Finally, we find that across the latent regimes, the positive influence of strategic flexibility (resource and coordination) on new product performance did not uniformly manifest under both high market and high technological turbulence.

3 - Core Capabilities or Core Rigidities? Strategic Flexibility, Knowledge Exploitation, and Exploration

Kevin Zhou, Assistant Professor, The University of Hong Kong, School of Business, University of HK, Pokfulam, Hong Kong - ROC, kevinzhou@business.hku.hk, Fang Wu

Do the core capabilities of firms lead to their core rigidities? The authors examine whether two core capabilities (marketing and technology) may lead to core rigidities in that firms tend to focus on knowledge exploitation but ignore knowledge exploration. The results indicate that even though marketing and technology capabilities can foster knowledge exploitation, marketing capability does not improve knowledge exploration and high levels of technology capability actually dampen knowledge exploration. However, strategic flexibility can solve this rigidity dilemma by strengthening the positive effects of technology capability on knowledge exploration. Moreover, knowledge exploitation and exploration differentially affect firm financial performance.

■ TC09

Seminar Room 3.1 (Room 3001)

Applied Choice

Chair: Makoto Mizuno, Dr., University of Tsukuba, 1-1-1 Tennodai, Tsukuba, 305-8573, Japan, mizuno@sk.tsukuba.ac.jp

1 - A Market Share Prediction Model Based on Household Panel Data: A Model of Cola Choice in Turkey

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One of the major sources of consumer level brand consumption data in fast moving consumer goods (FMCG) sector is the panels maintained by individual organizations. The household level panel information in developing markets is primarily gathered using the diary mode. However it is believed that the reliability of information collected from the panelists is still scarce compared to their scanner type counterparts in more developed markets. The purpose of this study is to establish an efficient brand choice model based on diary mode household panel data from the Turkish cola market. A multinomial probit model of brand choice, calibrated on 32320 purchase occasions of carbonated soft drinks by 2039 households, shows high significance for the explanatory variables of brand loyalty (previous brand purchased), relative prices and household specific features such as total FMCG spending, household size and socio-economical status. While the coefficients have expected signs (and reactions to the simulations), the model predicts the share of purchases remarkably well. Based on the model built, a simulation is generated in order to illuminate how soft drink consumers from different socio-economical groups react to the changes in relative price levels. This study is one of the pioneering attempts to integrate the consumption level data and consumer features towards developing a market share prediction model in Turkey.

2 - Package Size Decisions

Rajeev Kohli, Professor, Columbia University, 506 Uris Hall, Graduate School of Business, New York, NY, 10027-6902, United States, rk35@columbia.edu, Ramesh Krishnamurti, Oded Koenigsberg, Ricardo Montoya

Why does Vicks Nyquil come in 10 ounce bottles? Why does Post's Fruit and Bran breakfast cereal come in 15 ounce packages? How does Costco decide how many ounces of potato chips to sell in a bag? We examine the rational behind package-size decisions for products such as these, which deteriorate over time. We develop a model in which the optimal package size, and the optimal price, of a product depends on three factors: the expected self-life of a product, the preferences of consumers (which affect their willingness to pay for a product), and the rate at which they consume the product. We allow heterogeneity in both the amount consumers are willing to pay for consuming a unit of a product and their consumption rates. Motivated by the extra-large sizes of products sold by retailers such as Costco and Sam's Club, we first consider the case where the product size is so large that no consumer buys more than one unit of it at a time. We then consider a situation in which consumers can, if they wish, purchase multiple units of a product. We characterize the optimal prices and package sizes for a manufacturer assuming a linear marginal cost function and a fixed expected lifetime for the product. We analyze how investments in improving product life, and heterogeneity in consumption and willingness to pay, affect the optimal package size, price, and profit.

3 - Detecting Influential Consumers from Purchase History Data

Makoto Mizuno, Dr., University of Tsukuba, 1-1-1 Tennodai, Tsukuba, 305-8573, Japan, mizuno@sk.tsukuba.ac.jp, Tatsuya Ikeda

Recently, the effects of word-of-mouth or inter-personal influence on consumer behavior have attracted tremendous attention in marketing. How to relate these effects and consumer choice behavior appears to be one of the most challenging issues for choice modeling. One promising direction is the integration of spatial auto-regression model and choice model (e.g., Yang and Allenby 2003), where the interaction among consumers is assumed to be based on "distance" on a geographical or demographical space; another one might be incorporating the role of a reference group on others into choice modeling (Brock and Durlauf 2002), where one needs to know in advance who may belong to the reference group. Both approaches require some prior knowledge on influential relationship. We consider a situation where such prior knowledge is not available for marketing researchers. Following the tradition of diffusion research (e.g., Bass 1969, Rogers 1962) and personal influence study (Katz and Lazarsfeld 1964), we postulate the dichotomy of Influencer-Influencee, while we have no prior knowledge on who is influencer/influencee. Thus, we apply latent class (finite mixture) logit choice model with latent influencer/ influencee classes (plus independent classes if necessary). The influencee classes involve a term representing "influence" from influencers in the utility function. Although this formulation might seem to be straightforward, the estimation process could be unstable due to interdependency between classes. To confirm the validity of algorithm, we conduct a numerical experiment. Furthermore, we apply the model to actual purchase history data to show its practical usefulness. Finally, we discuss the limitation and future direction of the research.

TC10

Seminar Room 3.2 (Room 3003)

Retail Display Effects

Chair: Russ Winer, Professor, New York University, Stern School of Business, 40 W.4th Street, New York, NY, 10012, United States, rwiner@stern.nyu.edu

1 - The Effectiveness of In-front-of-the-Store Advertising Media

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While in-front-of-the-store media are often used by retail store managers, their effectiveness has not been investigated in the literature so far. We conducted several studies to analyze the most important effects of in-front-of-the-store media on retailers' objectives: Increasing awareness, improving the image of the store, generating unplanned store visits or attracting new customers and therefore increasing sales. In our first study, we investigate the awareness caused by different in-front-of-the-store advertising media (A-board, Flag) in terms of recall. Our results show that store and advertising medium recall significantly depend on the type, size, number and form of the media. In our second experiment we analyze the perceived image differences between the two media and test whether an image transfer from an outdoor advertising medium to retail stores takes place. The findings provide evidence that the store image is significantly influenced by the medium and underline the importance of choosing an appropriate in-front-of-the-store medium whose image is in line with the intended retail store image. Our third study consists of a field experiment with stores offering premium ice cream where we investigate the impact of alternative media on unplanned store visits, new customer rates and sales. Our results indicate that in-front-of-the-store advertising is an attractive and cost effective alternative for retailers.

2 - The Impact of In-Store Experiential Retail Events on Consumer Store Choice Decisions

Sean Sands, Doctoral Student, Monash University, Department of Marketing, PO Box 197, Caulfield East, VI, 3145, Australia, sean.sands@buseco.monash.edu.au, Harmen Oppewal, Michael Beverland

Academic and practitioner literature suggests that retail experiences have a positive connotation of something extra beyond a retail encounter and may result in the creation, or co-creation, of additional value (Kaltcheva and Weitz, 2006; Pine and Gilmore, 1999; Prahalad and Ramaswamy, 2004). However, relatively little is known about how consumers actually respond to retail events in terms of their store choice decisions. Research has typically investigated how to best manage and implement experience designs (Berry, Carbone and Haeckel, 2002;

McLellan, 2000), or has theoretically proposed that experiences create exciting and memorable encounters, hence positively impacting retailers. There has been less attention to developing empirical evidence to support these assertions. The purpose of this research was therefore to find out how in-store retail events affect consumers in terms of their store choice decisions. The present paper will report findings from a discrete choice survey which manipulated the presence of different types of in-store experiential events. Australian consumers were asked about their hypothetical shopping trip preferences for a DIY category. Respondents were randomly allocated into one of two shopping goal conditions, to 'purchase' versus 'browse/ learn' about the category. Using logit analysis the authors assess the contribution of the in-store events and various traditional store attributes (e.g. price image, distance), on store choice decisions.

3 - Managing Brand Salience

Ralf van der Lans, Assistant Professor, RSM Erasmus University, PO Box 1738, Rotterdam, 3000 DR, Netherlands, rlan@rsm.nl, Rik Pieters, Michel Wedel

Due to SKU proliferation, brand extensions, me-too products and copycats, searching brands at the point-of-purchase has become a daily challenge for consumers. Competitive clutter challenges consumers to find the brand they look for, causing consumers to not find it at all, or to pick-up the wrong one. The cornerstone of competing on the shelf is visual salience -the extent to which a brand stands out relative to competitors. But how to make brands salient and how to assess brand salience is far from obvious. In developing a salient visual brand image, managers must balance the pop-out of each SKU relative to competitors with a unique identity of the entire line of SKUs and at the same time conform to established category codes and norms. We develop a statistical model that, in combination with experimental eye-movement data, allows us to identify sources of salience that reside in the brand, respectively the consumer, to analyze visual competition between brands, and establish its effects on consumers' search behavior. The model is grounded in the psychological literature on target search behavior and estimates the brand's salience at the point-of-purchase from its basic perceptual features (color, luminance, edges). The empirical analysis identifies the brand- and consumer specific sources of visual competition between brands on shelves, reveals how visual brand image and shelf layout determine the brand's competitive salience, and shows how this affects consumers' search performance at the point of purchase. The decomposition of the visual salience of brands into stimulus-based and memory-based sources offers insights and suggests in-store activity and out-of-store marketing strategies, in particular advertising.

4 - Brother Can You Spare a Dime?: The Spare Change Effect at Point-of-Purchase

Russ Winer, Professor, New York University, Stern School of Business, 40 W.4th Street, New York, NY, 10012, United States, rwiner@stern.nyu.edu, Terri Albert

Background: Consumers continue to increase their point-of-purchase or in-store purchasing decisions. Retailer marketers are aware of this impulse buying and traditionally stimulate it through special displays, in-store promotions, innovations in packaging, and strategic placement such as proximity to cash registers. Leveraging consumer receptivity to in-store technologies (for example, self-service check-out), there are new technologies that simultaneously provide more customer value as well as increase profit margin by stimulating unplanned or impulsive purchases. One application is referred to as the "spare change" effect. This technology is focused on getting customers to spend change or to "round up" their purchases to whole amounts for customized offers. The Model: Our study examines individual buyer differences in the context of a technological in-store interaction and the acceptance (decline) of the spare change offer. There are four groups of antecedents in our model: consumer attitudes (toward the offer, toward the retailer, the denomination effect); consumer psychographics (impulsiveness, need for cognition); demographics; and technology readiness. Loyalty toward the store and intention to repeat a similar offer are measured if the offer is accepted. Data Collection/Methods: The 2 X 4 experimental design varied offer type (merchandise or charitable contribution) by store type (grocery, video rental, clothing and hardware stores). Four web sites were created simulating the shopping experience. Each subject "shops" at each store (randomized order) and receives one offer type (randomized order). A set of survey questions, presented at the conclusion of the shopping, measure the model's constructs.

■ TC11

Seminar Room 3.3 (Room 3005)

Contracts and Out-Sourcing

Chair: Erik Mooi, Assistant Professor, Aston Business School, Aston Triangle, Birmingham, B47ET, United Kingdom, e.a.mooi@aston.ac.uk

1 - Governance of B2B Service Outsourcing from the Client's Perspective

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Outsourced B2B services (e.g., IT services, logistics) are strategic inter-firm relationships requiring complex governance arrangements. We focus on outsourcing arrangements where the provider/vendor is highly embedded in the buyer/client's activity chain across a timeframe described as the outsourcing life cycle. The outsourcing life cycle contains six phases (Lacity et al, 2000). The specification of the decision rights that establish the roles and responsibilities among the buyer and vendor is important in highly intertwined arrangements. Focusing on the IT industry, this paper suggests a cross-level understanding of how the buyer/client allocates rights to three key decisions (technical principles, resources allocation and operational activities) throughout the outsourcing life cycle. Drawing from perspectives on interfirm governance and networks, we propose that the allocations of decision rights are to be determined at four levels. Firm-level determinants are corporate governance, client centrality, risk aversion and technical capability; dyadic-level determinants are multiplexity and dyadic embeddedness; the network determinant is the network density; environmental determinants are industry and country factors. Governance based on these determinants impacts outsourcing performance in terms of relational performance and market performance. This paper makes multiple contributions. First, it expands the extant dyadic analysis of outsourcing governance to network analysis. Secondly, we simultaneously analyze governance determinants at multiple levels. Finally, the analysis focuses on the process and captures the dynamic changes of the decision right allocation during the whole outsourcing life cycle.

2 - Contracts in IT: The Tradeoff Between Ex Ante Contracting Cost and Ex Post Transaction Problems

Erik Mooi, Assistant Professor, Aston Business School, Aston Triangle, Birmingham, B47ET, United Kingdom, e.a.mooi@aston.ac.uk, Mrinal Ghosh

Contracts in the market for information technology (IT) products and services often specify financial, product, and implementation procedures in detail. However, the marketing literature has given scant attention to the role of such detailed contractual specifications on transactional performance. In this paper we argue that contracting parties choose the level of contractual details to economize on both the ex ante costs of crafting contracts and the ex post costs of transaction problems. Crafting more detailed contracts help reduce transaction problems but the costs of crafting more detailed contracts also increases in uncertain, technology-intensive environments. We use a dataset of 971 IT transactions and a two-step estimation procedure to study this trade-off. In the first step we use the logic embodied in transaction cost analysis to estimate the "expected" level of specificity, given transactional attributes. In the second step we study the impact of deviations from the expected level of contractual specificity on performance. We find that "unexpected" specificity in contracts significantly reduces ex post transaction problems; however this "unexpected" specificity also increases the ex ante costs of contracting in a non-linear (quadratic) fashion. To the best of our knowledge this is the first study to explicitly demonstrate the trade-off parties make between ex ante and ex post costs while choosing the level of contractual details. Implications are drawn for theory and practice.

■ TC12

Seminar Room 3.4 (Room 3007)

Strategic Alliances

Chair: Inwoo Nam, Asst. Professor, Nanyang Technological University, S3 Nanyang Ave. B1A-08, Singapore, 639798, inam@ntu.edu.sg

1 - Transferability of Knowledge from Co-Creation Relations

Corine Noordhoff, Vrije Universiteit Amsterdam, De Boelelaan 1105, Amsterdam, 1081 HV, Netherlands, cnoordhoff@feweb.vu.nl, Benedict Dellaert, Kyriakos Kyriakopoulos, Pieter Pauwels

Collaborative initiatives such as new product development alliances and joint ventures present an important platform to spur learning about markets (e.g. Song et al. 2005). Extant literature on effective deployment (i.e. transfer) of co-developed knowledge offers clear insights in

firms' ability to internalize or absorb partners' knowledge. However, it remains vague on the extent to which individual partners can effectively redeploy their co-developed knowledge gained through co-creation relations outside the current relationship. Therefore, we examine the transfer potential of knowledge that results from co-creation relations between industrial customers and suppliers. We focus on two types of knowledge from co-creation relations -exploratory and exploitative marketing knowledge- and propose that their transferability is a function of the relational ties of the two parties. Data from 246 co-creation projects show the closeness of the relationship in which the knowledge was initially developed to function as a catalyst of the transferability of exploitative knowledge and as an impediment to the transferability of exploratory knowledge. Thus, relational ties are a dual-faced concept that affects firms' knowledge transferability. This is in line with the findings of Anderson and Jap (2005), who classify relationship closeness to be a dark-side construct. Our findings, then, suggest a careful, upfront evaluation of the transferability of knowledge from these types of relations.

2 - Factors Impact Enterprises to Establish e-Alliances in Taiwan

Ching-Chih Wen, Lecturer, Meiho Institute of Technology, 23, Pingguang Rd., Neipu, Pingtung, TW, 91202, Taiwan, cwen10@scu.edu.au, Ya-Lan Wen, Nutcharin Arunphat

Research examined the problem: "key factors that lead to e-companies' success or failure in establishing strategic alliance- with case materials from Taiwan. Based on the research problem and theoretic framework developed, a number of research questions allowed solutions to be found. Research issues addressed the following question: What key factors influence enterprises to establish e-business and strategic alliances? This research applied hyper-method to cross examine between hosts and partners viewpoint about e-alliance in the brick-and-click world. Research achieved varied goals for different stakeholders involved in e-business and strategic alliances in Taiwan researchers, governments and business enterprises or organizations.

3 - Determinants of the Duration of Strategic Alliances in Health Care

Inwoo Nam, Asst. Professor, Nanyang Technological University, S3 Nanyang Ave. B1A-08, Singapore, 639798, inam@ntu.edu.sg, Thomas Gruca

More than half of strategic alliances fail, usually through dissolution by one of the parties. Given the investments in time and resources by partners in strategic alliances, it is important to know why some alliances continue over time while others dissolve soon after formation. This research examines the determinants of the duration of strategic alliances in the medical care industry. While a handful of studies examine the dissolution of strategic alliances, most focus on bilateral strategic alliances focused on organizational learning. Our paper contributes to this growing literature by studying portfolios of alliances in which a single firm forms bilateral alliances with multiple partners. In contrast to prior research on learning alliances, these linkages are designed to provide market access over time. The setting for our study involves specialist medical providers that formed alliances with multiple generalist medical providers during the time period of 1989-2001. Using this longitudinal database, we modeled the duration of these strategic alliances using an accelerated failure time model with time varying covariates. We find that alliance longevity is related to the competitive situations in the home market of the specialist firms as well as the level and nature of resources dedicated to the relationship. This study expands our understanding of the determinants of strategic alliance longevity. Moreover, the results have important public policy implications for health care planners.

■ TC13

Seminar Room 3.7 (Room 3026)

Market Structure & Diffusion of Innovation

Chair: Ada Leung, Assistant Professor, University of Nebraska at Kearney, 2511 West 48th Street, Kearney, NE, 68845, United States, leunga1@unk.edu

1 - Did Hightech Sales Change? Comparing Old to New Tech in Terms of Sales Patterns at the SKU level

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Nowadays, it seems that when hightech products enter the market, they are also bound to disappear from it within just two years or so. The product-lifecycles of hightech products seem to be shorter than contemporaneous products that are equipped with less sophisticated technology. To validate this notion, this study aims to investigate whether hightech digital products actually have a shorter life-cycle than their analog counterparts, for example, LCD televisions versus CRT televisions.

We also take into account marketing mix elements such as price, and product-specific information such as screen diagonal, etc. We analyze data in various categories for recently introduced hightech durables, on an individual SKU level. Using semiparametric methods, we model the sales of these SKUs, throughout their entire lifecycle. This approach enables us to: (1) investigate differences across SKUs, over the complete time window, after or before inflection, and for any sales pattern; (2) draw statistical inference regarding these differences; and (3) generate typical sales patterns for a category, accounting for the uncertainty that surrounds them through confidence bounds. To product managers, such knowledge may inform decisions on launch strategies and the marketing mix, while it also provides a benchmark for assessing the market success of new products.

2 - Upstream Competitive Structure and Downstream Demand

Abhik Roy, Professor, Quinnipiac University, School of Business (SB-DNF), 275 Mount Carmel Avenue, Hamden, CT, 06518, United States, Abhik.Roy@quinnipiac.edu, Jagmohan Raju

The influence of demand conditions in a downstream, end-product market on the mode of competition in the corresponding upstream component market is examined in this empirical study. The fit to data of alternative models of competition, independent (Nash or Bertrand), Stackelberg leader-follower and Collusion, is used to determine which model best represents the competitive structure of a component market, the US microprocessor industry. Granger causality is used to analyze the pricing and quantity decisions of different pairs of competitors for possible interactions, and then Non-Nested Model Comparison tests applied to identify the best fit model. A number of different MPU pairs are considered at different periods in the evolution of the industry. A generalized diffusion model with price and diffusion parameters is estimated using data from the personal computer market, which is downstream from microprocessors. Patterns are established, linking downstream demand parameters with upstream competition. There is evidence to suggest that when there are strong diffusion effects driving sales of all the competing computer brands, there is a higher likelihood of independent Bertrand-Nash pricing in the upstream MPU market. However, when there are higher cross-price effects among personal computer brands there is a greater chance of Stackelberg leader-follower pricing in the upstream market. Furthermore, when the potential demand for all computers high there is a higher likelihood of Bertrand-Nash pricing within the corresponding generation of microprocessors. The empirical results suggest some explanations for why certain patterns of competition emerge within an industry.

3 - An Agent-Based Simulation Model of Competitive Product Diffusion among Heterogeneous Consumers

Shuoyang Zhang, Indiana University, 1309 E. 10th Street, Bloomington, IN, 47405, United States, syzhang@indiana.edu

Computational models of human collective behavior provides quantitative and empirically verifiable accounts of how individual decisions lead to the emergence of group-level organizations. The use of computational models of collective behavior has been increasingly employed in sociology, economics, psychology, and anthropology. However, little has been done to apply this approach in studying innovation diffusion under marketing context. The purpose of the study is to examine how competitive products disseminate among consumers considering both situational factors and individual characteristics using agent-based modeling. Agent-based models describe interactions among individual agents and their environment, and provide a process-oriented alternative to descriptive mathematical models. A series of experiments were performed with variations of variables such as the impact of influence zone of similarity, the initial number of products, the difference between the initial number of the two, and target market differentiation. Therefore, we have a 3(similarity: low, medium, high)*3(number of initial products: 5, 20, 50)*3 (number difference: equal, small, big)*2 (SPLIT: ON vs. OFF) factorial design. Running 10 simulations for each of the 54 conditions yields a total of 540 runs. Experiment results demonstrate the emergence pattern of product diffusion process. The effects of influence zones for similarity, number of initial products, difference of launch size, and market segmentation were analyzed. The simulation model of product diffusion among consumers provides an overview of how competitive new product disseminate in consumer market and has great implications for both researchers and practitioner.

4 - Status Competition and Diffusion of Organizational Innovation

Ada Leung, Assistant Professor, University of Nebraska at Kearney, 2511 West 48th Street, Kearney, NE, 68845, United States, leunga1@unk.edu

We investigate how the diffusion of an organizational innovation is brought about by status competition among professionals. Literature in sociology has suggested that gaining social status is a motivator for professionals to adopt an innovation in their organizations. Therefore organizational innovations, apart from helping organizations do their rou-

tines better or do new things, if successfully adopted, may become instrumental in advancing the careers of the people who adopt them. Such understanding is crucial in the marketing of organizational innovations. Marketers not only have to identify individuals who adopt for both their organizations' and their own sake, they also have to use appropriate social comparison tactics to mention the prestige that associate with adoption. Contrast from the system-wide view depicted in Bass models, we attempted to understand diffusion by examining the organizational dynamics. First, the imitation effect is dispersed differentially in the social system and affects the attitudes of the adopters differently. Second, the aggregate estimate of Bass model does not specify the mechanisms through which one is influenced by his peers, whether by social cohesion or status competition. In this research, we estimated adoption using Cox regression of two generations of an organizational innovation (satellite imagery), with social influence variables as covariates. The data were collected among a network of professionals over a period of three years about the adoption of an innovation. The model results supported our hypothesis. For both generations of the innovation, the effects of social influence based on status competition are significant, while the effects for social cohesion, betweenness centrality, and network size are not.

TC14

Seminar Room 3.8 (Room 3028)

Advertising and Consumer Behavior

Chair: Lars Bergkvist, Assistant Professor, UNSW Asia, 1 Kay Siang Road, Singapore, 248922, l.bergkvist@unswasia.edu.sg

1 - Understanding the Drivers of Heterogeneity in Consumers' Moment-to-Moment Response to Advertisements

Jennifer Young, Ph.D. Student, University of Texas at Austin, 1 University Station B6700, Austin, TX, 78712, United States, Jennifer.Young@phd.mcombs.utexas.edu, Wayne Hoyer, Leigh McAlister

This research examines heterogeneity in subjects' moment to moment affective responses to humorous Super Bowl advertisements. Using Bradlow's (2002) technique for factor analyzing repeated measure data, we decompose subjects' moment-to-moment affective responses to advertisements. Bradlow's technique identifies two points in the ad at which subjects' affect traces diverge: One group of subjects' average affect trace increases more rapidly than the other group's average affect trace. This divergence consistently happens at moments in the ad in which the advertiser attracts attention and initiates surprise in consumers on a focal dimension which is uniquely important to target consumers. Given a focal dimension for which target consumers have a significantly higher optimal level than do non-target customers, when the tenor of an ad's storyline shifts upward on the focal dimension, viewers are surprised, and that surprise leads to affect. Because target customers have higher optimal levels for the focal dimension, surprise on the focal dimension will cause a larger increase in positive affect for target customers than for non-target customers. In fact, if the surprise is big enough to move the tenor of the ad beyond the optimal level for non-target customers, but not beyond the optimal level for target customers, the surprise can lead to a decrease in positive affect for non-target customers while increasing affect for target customers. Consistent with this translation, we expect that when a surprise occurs along the focal dimension, affect traces of target and non-target customers will diverge, with affect rising more rapidly for target than for non-target customers. Further, we expect that larger surprises cause greater divergence of affect traces.

2 - Influences of Incomplete Information in Printed Clothing Advertising on Purchasing Intentions

Roxy Hsien-Chen Mo, Graduate Research Assistant, Department of Marketing, National Chung Hsing University, 250 Kuo Kuang Road, Taichung, TW, 40227, Taiwan, roxy701213@yahoo.com.tw, Jane Lu Hsu

Printed advertising is utilized to disseminate information to potential or target customers in a way to attract attention. Due to space limitation, information included in printed advertisements is carefully selected to introduce certain aspects of the products. Printed clothing advertising in magazines is the kind emphasizing clothing design rather than describing details. Hence, information in printed clothing advertising is often incomplete and requires consumers to infer the missing information. This research intended to examine how consumers perceive incomplete information in printed clothing advertisements in magazines and whether incomplete information influence decisions. A total of 239 samples of printed clothing advertisements in fashion magazines were collected in 2006. Content analysis was utilized to code the types of information in printed clothing advertisements prior to questionnaire design. Ten categories of information were classified from sampled

advertisements. In questionnaire, attitudes toward incomplete information in printed clothing advertisements, information search, involvement, purchasing intentions, and demographics were questioned. A consumer survey was administered in the metropolitan area in Taipei, Taiwan. Three-hundred respondents were personally interviewed using stratified sampling. Results indicated that respondents who had negative attitudes toward incomplete information in printed advertisements in magazines tended not to search information at a great extent, and decisions were not influenced by incomplete information. Respondents who were influenced by printed clothing advertising in decisions preferred having less incomplete information. Strategic marketing were suggested based on results of this study.

3 - Power Up Your Brand: A Study of Marketing Communications in Digital Games

Lars Bergkvist, Assistant Professor, UNSW Asia, 1 Kay Siang Road, Singapore, 248922, Singapore, l.bergkvist@unswasia.edu.sg, Doreen Kum

Advertising and product placement in digital games may well be the future avenue to reach the 18 to 34 year olds. This demographic segment has reportedly cut down on television watching (Twist 2004), decreasing the boom box's effectiveness for communicating with this segment. Yet, the explosion in digital game sales suggests where their attention may be diverted to. Taking no chances, advertisers have begun investing their dollars. To date, some US\$56 million has been invested on in-game advertising and this spending is expected to reach US\$730 million by 2010 (Brown 2006). Despite its potential impact on marketing and the attention received by practitioners, scholarly research in this area has been limited. This paper therefore attempts to outline the uniqueness of digital games as a marketing communications medium, and present an overview of the issues of interest. In addition, this paper aims to offer some insight through a systematic examination and classification of the more than 20 ways advertisers can place their brands in digital games and the possible objectives that can be achieved. Drawing on theory and earlier research on consumer behavior, advertising, and product placements, this paper argues that the effectiveness of marketing communications in digital games will vary depending on the type and extent of brand presence, the type and extent of interactivity, and the market prominence of the advertised brand. These suggestions lead up to a number of hypotheses regarding factors that influence the effectiveness of marketing communications in digital games, as well as variables that may moderate the effects of these factors.

■ TC15

Seminar Room 3.9 (Room 3029)

CLV: Present and Future

Chair: Roland Rust, David Bruce Smith, Chair in Marketing, University of Maryland, Robert H Smith School of Business, University of Maryland, College Park, MD, 20742, United States, rrust@rhsmith.umd.edu

1 - Including Marketing Mix in a CLV Model

Sandeep Conoor, Northwestern University, 2001 Sheridan Road, Marketing Dept., 4th Floor Leverone Hall, Evanston, IL, 60201, United States, s-conoor@kellogg.northwestern.edu

The purpose of this paper is to propose a model for predicting Customer Lifetime Value (CLV) in a noncontractual setting, that incorporates marketing mix variables. A noncontractual relationship is one in which the timing of customer defection is unobserved by the firm. In the marketing literature the Pareto/NBD model has been used to calculate CLV for noncontractual relationships. However, this model cannot accommodate marketing mix variables that might affect the evolution of the customer-firm relationship. We propose a Markov Chain model of the customer relationship that (a) takes into account the unobserved customer defection and (b) allows for the impact of marketing mix on customer responses. We model the purchase history for each customer as a non-stationary Markov Chain and allow the transition parameters of the Markov Chain to depend on marketing mix variables. Our hierarchical Bayes formulation of the model can incorporate observed and unobserved heterogeneity across customers. The model is estimated using data from a direct marketing firm. The data include the list of catalogs mailed to each customer, the purchase occasions, and the amount spent. CLV is predicted over a future horizon and the predictions are compared with a baseline Markov Chain model that does not include the marketing mix variable. The predictions of the proposed model are also compared with the predictions of the Pareto/NBD model.

2 - Customer-Base Analysis Using Repeated Cross-Sectional Summary (RCSS) Data

Bruce Hardie, London Business School, Regent's Park, London, Lo, NW1 4SA, United Kingdom, bhardie@london.edu, Kinshuk Jerath, Peter Fader

A number of researchers have developed models of repeat buying behavior (such as the Pareto/NBD) that can be used as a basis for computing quantities of managerial interest such as customer lifetime value. These models typically require that the analyst have access to individual-customer-level data. However, this is not always practical. While many reporting systems can create simple data summaries (e.g., histograms), it is time consuming to extract raw individual-level data. The mere process of physically transferring raw customer-level data can be risky, as a number of privacy-related news stories attest. And in many countries, data protection laws can complicate the process of transferring raw data to the analyst, especially when the analyst is located in another country. This paper explores the possibility of estimating the Pareto/NBD model parameters using repeated cross-sectional summaries of the transaction data (e.g., four quarterly histograms). (Such summaries are easy to create, are easy to distribute, and are free of any privacy concerns.) In particular, we examine how much "information" is lost when fitting the model to these repeated cross-sectional data summaries instead of the raw individual-customer-level data, and the number of cross-sections required to minimize information loss. We carry out a comprehensive simulation study covering a vast spectrum of market scenarios characterized by various levels of customer base penetration and purchase frequency. Across most of these datasets, our results consistently establish that the model fit associated with the use of RCSS data can closely match that associated with individual-customer-level data. These simulation results are confirmed in an analysis of data from the online music site CDNOW.

3 - A Generalized Framework for Estimating Customer Lifetime Value When Customer Lifetimes Are Not Observed

Sharad Borle, Assistant Professor, Rice University, Joned Graduate School of Management, 6100 Main Street, Houston, TX, 77005, United States, sborle@rice.edu, Siddharth Singh, Dipak Jain

Measuring customer lifetime value (CLV) in contexts where customer defections are not observed, i.e. noncontractual contexts, has been very challenging for firms. This paper proposes a flexible generalized simulation-based framework (GSF) for predicting lifetimes and measuring customer lifetime value (CLV) in such contexts. The framework generalizes the existing state-of-the-art models for lifetime value calculations in a noncontractual context viz. the Pareto/NBD and the BG/NBD models. Both the Pareto/NBD and the BG/NBD models are based on fixed underlying assumptions about drivers of CLV that cannot be changed even in situations where the firm believes that these assumptions are violated. The proposed GSF on the other hand allows the user to use any of the commonly available statistical distributions for the drivers of CLV, and thus the multitude of models that can be estimated using the GSF (the Pareto/NBD and the BG/NBD models included) is limited only by the availability of statistical distributions. This flexibility is demonstrated in an empirical application where four additional models (in addition to the Pareto/NBD and BG/NBD) are estimated and a comparative predictive performance (in predicting lifetimes and CLV) of all the six models carried out. Thus potential users of the Pareto/NBD and BG/NBD models now have a highly flexible framework which allows them to estimate a multitude of models (in addition to these two models) to assess lifetimes and lifetime values of their customers.

4 - Will the Frog Change into a Prince? Predicting Future Customer Profitability

Roland Rust, David Bruce Smith Chair in Marketing, University of Maryland, Robert H Smith School of Business, University of Maryland, College Park, MD, 20742, United States, rrust@rhsmith.umd.edu, Rajkumar Venkatesan, V Kumar

More and more companies have customer databases that enable them to analyze customer profitability. These companies often seek to determine the most important customers as indicated by their current or historical profitability, and focus attention on them. Focusing on profitable customers can result in more efficient use of marketing resources, but such an approach neglects the fact that customers can evolve over time. Some customers begin as low-profit customers, but eventually develop into high-profit customers. Others may start out as high-profit customers, but become unprofitable over time. Previous efforts to predict future profitability have been relatively unsuccessful, with relatively simple, naïve models often performing just as well as more sophisticated ones. Our paper presents a new approach to predicting customer profitability in future periods. Our model simulates future purchasing scenarios, one customer at a time. By averaging over many possible futures for each customer, we obtain a more accurate prediction of future prof-

itability. We estimate the model on data from a high-tech company in a business-to-business context, and validate the model's prediction ability on a holdout sample, involving both different customers and future time periods. The results show that our model outperforms previous models in predicting which customers will increase in profitability and which customers will decrease in profitability over time.

■ TC16

Seminar Room 3.10 (Room 3031)

The Outcomes of Customer Satisfaction

Chair: Youngchan Kim, Professor, Yonsei School of Business, 134, shinchon-dong, Seodaemooon-ku, Seoul, 120-749, South Korea, youngkim@yonsei.ac.kr

1 - The Nonlinear and Asymmetric Relationship among E-service Quality, Customer Satisfaction and Loyalty

Zhao Li, Xián Jiaotong University, Xián, China, lizhao@mailst.xjtu.edu.cn

The authors investigated the nonlinear and asymmetric relationships among service quality, customer satisfaction and loyalty, in B2C E-commerce context. Based on the Prospect Theory, we analyzed the asymmetric impacts of negative and positive service performance on customer satisfaction, in addition to the asymmetric impacts of customer satisfaction and dissatisfaction on customer's attitudinal and behavioral loyalty. Then, the nonlinear relationships, among service quality, customer satisfaction and loyalty, were explored. At last, we investigated the moderating effect of switching cost on satisfaction-loyalty relationship. Questionnaire survey and empirical analysis were performed on the proposed hypothesis. Results suggested that there exist negative asymmetry and decreasing return to scale relationship between service quality and customer satisfaction and between satisfaction and loyalty. As another finding, customer satisfaction's impact on behavioral loyalty diminishing when switching cost increases.

2 - Customer Satisfaction and Repurchase Intentions for Medium-Tech B2B Products

Michael W. Preis, Assistant Professor of Marketing, University of Illinois at Urbana-Champaign, mpreis@uiuc.edu, Gregory M. Kellar

It is important for marketing practitioners to understand customers' repurchase intentions and the factors that influence repurchase intentions (Patterson, Johnson, and Spreng 1997) because increased repurchases (customer loyalty) are important to profitability (Formell 1992). Patterson, Johnson, and Spreng (1997), Shapiro, Slywotzky, and Doyle (1997), and Preis, Davita, and Smith (2003) find increased customer satisfaction is one factor leading to such increased repurchase intentions. Thus, it is important to obtain a good understanding of the factors that affect satisfaction and hence influence repurchase intentions. High-tech products have been examined in some detail but medium tech markets have been largely overlooked. This study examines the effects of three components of overall satisfaction on overall satisfaction and repurchase intentions for medium-tech products in B2B markets; the components of overall satisfaction that are examined are: interpersonal satisfaction (the satisfaction the buyer feels with the salesperson), satisfaction with vendor performance, and satisfaction with the product itself. Information theoretic techniques are applied to variable subset selection to derive optimal linear regression models. The optimal models for overall satisfaction and repurchase intention are examined to determine the relative importance of the components of overall satisfaction. Significant differences between the models of overall satisfaction and repurchase intention are discussed. These findings have important implications for the sales function in the B2B environment.

3 - Are Satisfied Customers More Profitable? Examining the SPC in the Finance Services Industry

Arne Floh, Visiting Scholar, Emory University, 1300 Clifton Road, Atlanta, GA, 30322, United States, Arne_Floh@bus.emory.edu, Sundar Bharadwaj

Recent economic developments such as increased competition, shorter life cycles or increasing similarity of products force managers to rethink their strategies in order to secure profitability of their firms. Recently, building, maintaining and growing long-term customer relationships as a strategic approach to maintain profitability has grown in popularity. The managerial shift from transaction marketing to long-term customer relationships is supported by theoretical concept of relationship marketing and the satisfaction-profit-chain (SPC). The SPC provides an integrative framework of marketing actions, customer attitudes, behavior and financial outcome at an individual and aggregate level. It helps managers to develop comprehensive strategies and marketing actions for lasting competitive advantage in a challenging and dynamic marketing environment. Whereas the conceptual logic of the SPC is widely accepted in the managerial and academic world, little emphasis has been put

on the empirical validation of the fundamental relationships between satisfaction, loyalty and long-term customer profitability. Given the high practical value of the SPC, it is surprising that only a few studies have examined the financial outcomes of satisfaction and loyalty. Primary self-report data merged (N=771) with long-term archival profitability data at an individual level are used to validate the SPC in the financial services industry. Whereas satisfaction has no direct effect on long-term profitability at the individual level, the authors find evidence that the satisfaction-profitability-relationship is mediated by loyalty and actual behavior. The authors discuss several managerial implications and give an outlook for further research.

4 - Integrated Impact of Customer Satisfaction and Word of Mouth on Customer Base in Dynamic Market Situations

Youngchan Kim, Professor, Yonsei School of Business, 134, shinchon-dong, Seodaemooon-ku, Seoul, 120-749, South Korea, youngkim@yonsei.ac.kr, Janghyuk Lee, Jaesung Cha

Recent papers showing how word of mouth affects directly sales in case of movie industry (Liu 2006) and online bookshop (Chevalier and Mayzlin 2006) enhance our understanding of the consequence of customer satisfaction that influences customer acquisition through a positive word of mouth spread by satisfied customers as well as customer retention (Bolton 1998). To investigate the impact of customer satisfaction and word of mouth to customer base in simultaneously, we develop various hypothetical models including unobserved customer acquisition and retention by assessing the customer base. Then, we compare the performance of these models and the appropriateness of applications in competitive market condition. We use a two-stage least square method to estimate the model parameters by minimizing the sum of squares between observed and predicted number of subscribers. To capture the changing market shares by period in competition setup, a model with time-varying transition probabilities is developed and its parameters are estimated. A set of quarterly customer survey data between 2002 and 2005 of mobile telephone operators in the United Kingdom is analyzed to measure customer satisfaction and word of mouth intention in line with subscriber statistic. Our findings contribute to the understanding of customer base dynamics by simultaneous impact of customer satisfaction and word of mouth at aggregate level.

Thursday, 3:30 - 5:00pm (Session TD)

■ TD01

Seminar Room 2.1 (Room 2001)

Research Methods in Innovation

Chair: Steven Shugan, Russell Berrie Professor, University of Florida, 2030 Nw 24th avenue, Gainesville, FL, 32605, United States, sms@ufl.edu

1 - The Wisdom of Crowds: Using Online Virtual Stock Market to Predict Innovation Success

Natasha Zhang Foutz, Assistant Professor of Marketing, Robert H. Smith School of Business, University of Maryland, 3457 Van Munching Hall, College Park, MD, 20742, United States, nfoutz@rhsmith.umd.edu, Wolfgang Jank

Pre-release forecasting of new product demand is critical for allocating marketing resources. Such forecasting is also difficult particularly for experiential new products and new products with short lifecycles. Marketing researchers have used a variety of pre-release information sources such as historical demand, product features, consumer surveys, and advance sales, in forecasting innovation success. In recent years, the online virtual stock market (VSM) has been increasingly used as an economic and efficient information gathering tool for the online community. It has been used to forecast from presidential elections to sporting events and applied by major corporations such as HP and Google for internal forecasting. A growing stream of research from various fields such as political science, economics, finance, and information technology has been inspired by online VSM, although its potential applications in marketing research and decision making has been extremely limited. In this study, we demonstrate the predictive power of online VSM, as compared to several conventional methods, in forecasting demand for innovations in the context of the motion picture industry. The efficiency of online VSM in aggregating pre-release information from the online community is further demonstrated as the inclusion of other pre-release information such as film characteristics and pre-release advertising adversely impacts the predictive performance of online VSM. Our application of functional data analysis that examines the entire trading path from online VSM is not only a unique contribution to the literature of

VSM and marketing research methods but also provides managers with a powerful early and dynamic forecasting tool.

2 - Creating and Evaluating New Product Ideas with Idea Markets

Arina Soukhoroukova, University of Passau, Innstr. 27, Passau, 94032, Germany, soukho@uni-passau.de, Bernd Skiera, Martin Spann

Important initial steps in the new product development process are the creation and evaluation of new product ideas. Three factors positively influence the quality of the output of the two steps: (1) a large number of ideas and idea generators involved, (2) interactive group decisions instead of individual decisions, (3) methods that combine the creation of ideas with their evaluation. Idea markets allow for combining those three factors. They use virtual stocks to represent new product ideas, let participants trade those stocks on a virtual market place, and use the efficiency of markets and the resulting stock prices as indicators for the likely success of the different new product ideas. Therefore, we propose idea markets as a new method to create and evaluate new product ideas. We describe the methodology of idea markets, discuss the scope for designs of idea markets, evaluate the feasibility of idea markets for creating and evaluating new product ideas, compare the evaluations of an idea market with those of experts, and outline users' as well as top-management's evaluations of the overall performance of the idea market. For that reason, we present the results of a real-world intranet-based idea market with more than 500 participants from all hierarchical levels in a high-tech, B2B company with more than two billion US\$ of revenues. Our results indicate that idea markets are a promising new method to support the new product development process.

3 - The CHANCE Approach: A New and Simple Method to Predict the Success or Failure of New Products

Oliver Heil, Chaired Professor of Business & Marketing, University of Mainz, Jakob Welder-Weg 9, Mainz, RP, 55099, Germany, oliverheil@aol.com, Vera Magin

New product failure rates are very high, ranging von 33 to 95 %. Obviously, being able to forecast sales before the new product is introduced can prevent firms from damaging their bottom line as well as their brands. Our paper introduces a seemingly powerful new method, called the CHANCE approach which allows forecasting new product sales with surprising precision. The approach is based on a straightforward assessment of individual product choice and encompasses a small number of rather simple steps. Our approach relies on a non-compensatory decision rule and provides choice estimates on the individual customer's level. We show that the so-gained choice estimates are, when combined with the new product's distribution and awareness rate, rather powerful to predict unit sales. This project provides a basis to forecast new product sales for managers faced with the decision whether or not to introduce a new product into the marketplace. Our approach entails several other advantages: Such benefits entail that firms can test a larger number of concepts. Also, our approach helps to improve new product concepts by precisely hinting at weak points that can be detected by analyzing the interviews, factors, and sizes of comparison groups. Furthermore, our approach is simple in application and not costly to do. We detail the merits of our approach empirically by using cumulative data from 20 applications and one detailed application. The results show a remarkable and rarely seen precision of our various forecasts. The CHANCE approach, thus, has the potential to fundamentally improve new product performance. In other words: Using the CHANCE approach can allow companies to save millions of Dollars making it truly important for the practicing manager.

4 - People Metrics and New Product Forecasting

Steven Shugan, Russell Berrie Professor, University of Florida, 2030 NW 24th Avenue, Gainesville, FL, 32605, United States, sms@ufl.edu, Debanjan (Deb) Mitra

We consider the impact of the people that implement a project on future project outcomes. To be specific, we determine which people-metrics based on past performance are better at forecasting future project outcomes and under what conditions. We derive specific theoretical correlations between specific metrics and project outcomes. We find, for example, that specific metrics should outperform other more common metrics. We test our theory using data from the design of motion pictures.

■ TD02

Seminar Room 2.2 (Room 2002)

Consumer Consumption Issues

Chair: James Hess, Bauer Professor of Marketing Science, University of Houston, 375H Melcher Hall, Houston, TX, 77204, United States, jhess@uh.edu

1 - Effect of Counterfactual Reasoning on Responses to Service Failures Involving Multiple Suspects

Candy K. Y. Ho, The Chinese University of Hong Kong, Marketing Dept, CUHK, Shatin, Hong Kong - ROC, kyho@cuhk.edu.hk, Jessica Kwong

This paper examines the role of counterfactual thinking on consumer responses to service failures when multiple parties could be held accountable. Counterfactual thinking is the mental simulation of "what might have been" had certain antecedent states been altered (Roese 1997). This process is closely linked to judgments of accountability (Kahneman and Miller 1986). Until recently, a few marketing researchers have started to investigate the impact of counterfactual thinking on consumer outcomes such as repurchase intention and ad persuasiveness (e.g. Krishnamurthy and Sivaraman 2002; Tsiros and Mittal 2000). However, existing investigations are confined to situations where only one party could be imagined to be held accountable. Clearly, this is an oversimplification of the real world. For instance, in a service failure, consumers may have different counterfactual thoughts focusing on multiple parties and thus cannot clearly identify a single agent to blame. Drawing on the psychology literature, this paper hypothesizes that consumers would react less negatively to a service failure when two different parties could be imagined to have behaved differently than when only one party could be thought to have acted otherwise. Results of two experimental studies supported this hypothesis. The findings are consistent with the discounting principle that people discount the likelihood of one cause and see it as less likely when informed that another cause is present (Einhorn and Hogarth 1983 & 1986). More importantly, respondents' thought protocols revealed that such effects were linked to the content of their counterfactual thoughts. These results imply that the adverse effects of service failures may be mitigated by inducing consumers to speculate more causes for the failures.

2 - The Perception of Low-Cost Air Transport Firms: Psychological, Economic & Anthropological Issues

Jean-Louis Nicolas, Associate Professor, Audencia Nantes School of Management, 8 Route de la Jonelière, BP 31222, Nantes, 44312, France, jl nicolas@audencia.com, Mohamed Merdji

The development of low-cost airlines, in an environment marked by the preoccupations of flight safety and environmental protection, modifies the consumer's perception of air transport. What does a product with such a low price represent for the traveller in relation to the nature of the proposed service and the symbolic dimensions of the journey? For the occasional user, the risks associated with this type of transport are indeed, regarding to Slovic's theory (1987), superior to those of all other usual means of transport. How can low-cost airlines answer the psychological need for safety, while price is one of its main constituent factors? Can the reduction of the proposed services be enough to answer the need for reinsurance? More widely, how do consumers see the low-cost economic model? More globally, this research tries to redefine the nature of the low-cost air transport product. In a more anthropological view, what becomes the notion of travel (changing of World, Time and Space), for the occasional traveller? Does trivializing travel lead to a redefinition of its signification? In a world more concerned about the environment, how does the consumer perceive this almost free method of transport which is nonetheless very expensive in terms of energy and very polluting? Can the progressive awareness of environmental constraints constitute a slowing down in the development of low-cost companies? This research is based on an exploratory qualitative phase intended to identify the main dimensions (psychological, economic, anthropological, etc.) of the image of low-cost air transport, and on a survey conducted on a sample of current and potential travellers.

3 - Counterfeits, Knockoffs and Conspicuous Consumption: An Model of Counterfeits and Status Goods

James Hess, Bauer Professor of Marketing Science, University of Houston, 375H Melcher Hall, Houston, TX, 77204, United States, jhess@uh.edu, Sung Ham, Stephanie Geiger-Oneto

People buy conspicuous goods to convey that they are bona fide members of a desirable social class. Such status goods can be very expensive and, consequently, counterfeit and knockoff versions of them are sold at greatly reduced prices. These counterfeit goods may help intimate that their owners are members of an elite social class. If other members of this aspirational group or the actual elite members notice that a person is using a counterfeit status good, this could damage the pretender's reputation and chance to advance socially. Marketing studies dedicated to such social elements of demand are scarce, but Amaldoss and Jain (2005 JMR) constructed a model of conspicuous consumption. Following on their work, we introduce a social risk in the form of the probability of being detected with a counterfeit. This allows us to show that in a rational-expectations equilibrium the law of demand for the status product by the elite class can be violated. The analytic model also permits us to predict such things as "If counterfeits become harder to detect, then their demand becomes more price sensitive."

TD03

Seminar Room 2.3 (Room 2004)

Diffusion of Innovation in Different Product Markets

Chair: Elisa Montaguti, Prof., University of Bologna, Via Capo di Lucca, 34, Bologna, 40126, Italy, elisa.montaguti@unibo.it

1 - Modelling the Replacement Age for Consumer Durables: A New Approach

Paul Steffens, Associate Professor, BGSB, Queensland University of Technology, GPO Box 2434, Brisbane, Qld, 4001, Australia, p.steffens@qut.edu.au, Maria Kaya, Sönke Albers

In many product categories of durable goods such as TV, PC, and DVD, the largest component of sales is generated by consumers replacing existing units. Accurate modelling of replacements is not only important to forecast overall demand, but also allows durable goods marketers to specifically target products and communications to the replacement buyer. Aggregate sales models proposed by diffusion researchers for the replacement component of sales usually incorporate a replacement distribution such as Rayleigh, Weibull, Truncated Normal or Gamma. Our study contributes in two ways. First, motivated by the deficiency of existing replacement distributions to fit our data, we introduce a new distribution. This data comes from a survey of 8,077 households for six electronic products - TVs, VCRs, DVD players, digital cameras, PCs and notebooks. The empirical replacement rates decrease substantially for larger ages for all six products. As none of the existing replacement distributions can accommodate this shape, we develop a new model based on a modified Gamma distribution. This new model has improved fits for all six products. It also outperforms existing models in terms of predictions in a hold-out sample. Our second contribution is to investigate whether replacement distributions are non-stationary (vary over time). The diffusion literature suggests that the average replacement age may change over time. One study demonstrates a time-varying model fit aggregate sales data better, but this notion has not yet been empirically tested using disaggregate-level replacement data. We are able to test this proposition for TVs for which we have a longer history of replacements. We confirm that the average replacement age decreases significantly over time.

2 - Forecasting the Diffusion of New Book Titles

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Recently, the interest in research of books has grown. Some researchers studied the distribution and pricing of books in the internet (e.g. Mayzlin 2006; Bergen and Kauffmann 2005; Brynjolfsson and Smith 2000) while others applied diffusion models to various products of the entertainment industry (e.g. Sawhney and Eliashberg 1996; Moe, Fader 2002). However, it is not clear whether their results can easily be extended to other products like books (Moe and Fader 2002). With our research we want to fill this gap. We develop a model for the early forecasting of a new book's success. We suggest a parsimonious exponential model that can easily be updated with additional information to improve forecasting quality. The model uses only data that is available early in the diffusion process and allows deriving forecasts even before product launch. Using a dataset of more than 1,000 new releases from an international publishing house, we find that our model accurately fits a variety of titles, and can be of high value for the planning of print

runs of a new title's first edition. The combination of stock data of publishing houses and point of sales data generates important information about time-lags and accelerator effects in the ordering behavior of publishing houses and booksellers.

3 - Fostering the Diffusion of Innovative Green Products

Giulia Calabretta, ESADE, carrer Berlin 11 6-4, Barcelona, Spain, giulia.calabretta@esade.edu, Boris Durisin, Jordi Montaña

The aim of this research is to explain the diffusion problems of green technologies through the lens of technological dominance. According to this literature "technological change can be fruitfully characterized as a socio-cultural evolutionary process of variation, selection and retention" (Anderson and Tushman, 1990) through which a dominant technology/design finally emerges. This process of selection is shaped by social, political, and organizational dynamics acting both at industry and firm level. Being green technologies disruptive (radical) innovations in each industry in which they are implemented, their full acceptance is subordinated to the repeated interaction of firm capabilities, managerial willingness, institutional rules and market dynamics. The purpose of this research is to shed light on the occurrence and the strength of these forces through an evolutionary approach. Since green technologies represent technological discontinuities in the evolution of the core technology in a given industry, firms' capability of generating sustainable competitive advantage out of them and the consequent affirmation of green technologies as industry standard require a certain time span. During this technological cycle different evolutionary forces will contribute to the eventual emergence of green technologies as dominant design: firm capabilities and resources, institutional rules and pressures, competitive dynamics, and market preferences.

4 - Are Physicians Just Learning or Also Forgetting About Drugs?

Elisa Montaguti, Prof., University of Bologna, Via Capo di Lucca, 34, Bologna, 40126, Italy, elisa.montaguti@unibo.it, Marco Visentin

We develop and estimate a dynamic model of physicians' prescribing behavior when new products are introduced sequentially. While doing so, we account for a forgetting mechanism referring to the progressive decay of the impact of information and preferences associated with any previously experienced brand. The concept of forgetting has not been widely explored in the marketing literature as researchers tend to assume that it is simply the opposite of learning. This issue is investigated using data for medical prescription of lowering cholesterol drugs in the UK. Although extant literature suggests that the information acquired after an experience can modify the memory of such an experience, our work shows that physicians' preferences for a selected drug are not stable over time but they tend to reverse to an initial state after a certain amount of time without prescribing. More specifically our model documents that a consumer's recall of a past experience is often distorted and this effect can be the outcome of marketing communication. This effect is shown to dissipate over time. To our knowledge there has not been many attempts in marketing to associate the concept of forgetting with persistence of choices. Our study, therefore, intends to shed some light on physicians' reactions to sequentially launched new products, with a particular focus on the role played by forgetting about developed preferences.

TD04

Seminar Room 2.4 (Room 2005)

Decision Research IV - Effect of Complexity and Personalization on Choice

Chair: Gerald Häubl, Professor of Marketing, University of Alberta, School of Business, Edmonton, AB, T6G 2R6, Canada, gerald.haeubl@ualberta.ca

1 - Rural Retailers' Decision-making: Conjecturing a Conceptual Framework for Empirical Research

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The role of 'heuristics' in problem solving as an area of inquiry has caught the attention of academicians and practitioners and has generated considerable interest among both these groups. Extending it to consumer decision making, it has been found that the consumers tend to seek to reduce decision effort through heuristics. Consumers employ simple decision rules, what we call "choice tactics", for making complex purchase decisions. The choice tactics employed by the consumers is subjected to continuous processing and extended to post purchase evaluation stage as well (Deshpande et al, 1982; Hoyer, 1984; and D'Astous, 1989). On the basis of outcome of purchase/consumption, the tactic is reused, fine-tuned or changed by the consumer during repurchase or re-consumption. This phenomenon, however, has not been studied in the context of retailers. The present research proposes to explore the

“choice tactics” for rural retailers. This paper focuses on the choice making by the retailers for stocking as well as sourcing. How does a rural retailer take his stocking decisions for repeat-purchase, low involvement products? To give complete account of the problem, two research questions have been developed and then stated which look into the decision effort put in by the rural retailer, the choice tactics employed by him and the influence of internal information sources and the task difficulty on his choice tactics while purchasing repeat-purchase, low involvement products.

2 - Management of Web site Complexity in Pre and Post Decision Goal Orientations

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As marketers spend a lot of resources to enhance the aesthetics and sophistication of consumer experiences, they are increasing the complexity of web sites, defined as the number of distinct cues at the web site that the consumer has to process (Berlyne, 1960). However, little is known about how consumers react to such complexity, in terms of their task performance at the web sites. Drawing on the theory of mindsets (e.g., Heckhausen and Gollwitzer 1987), we theorize and show (through two completed studies) that the goal orientation in various phases of decision making (pre-decision, post-decision) determine the varied effects of complexity on consumers' task performance. Consumers in a pre-decision phase (e.g., searching for information to decide which brand of car to buy) display efficiency at a high complexity web site because in this phase they are receptive to variegated information. However, a high complexity web site poses a cognitive strain to consumers in a post-decision phase (e.g. searching for information about a brand of car they have decided to purchase) because consumers in this phase are focused only on specific information, suggesting that they will be more efficient at a low complexity web site. The findings provide insights into how and why complexity triggers two distinct processes, leading to the varying task performance outcomes. From a managerial standpoint, the results of this research suggest that if marketers can assess the consumers' goal orientations at the web site, they can tailor and manage the complexity at a web site leading to favorable consumer task performances.

3 - Ironic Effects of Personalized Product Recommendations on Subjective Consumer Decision Outcomes

Gerald Häubl, Professor of Marketing, University of Alberta, School of Business, Edmonton, AB, T6G 2R6, Canada, gerald.haeubl@ualberta.ca, Benedict Dellaert, Murat Usta

We argue that the provision of personalized product recommendations, either by a human advisor or by a computer-based decision aid, can have distinct, opposing effects on consumers' objective and subjective decision outcomes. On one hand, such recommendations enable consumers to make objectively better product choices by selecting alternatives that match their idiosyncratic preferences more closely (see, e.g., Diehl, Kornish, and Lynch 2003; Häubl and Trifts 2000). On the other hand, however, we propose that this type of decision assistance tends to have a separate, negative impact on consumers' subjective appraisal of their decisions - e.g., their confidence in having made the right choice and their satisfaction with the chosen product or service. The latter effect is predicted based on the argument that personalized recommendations, by their very nature, tend to increase the difficulty of making a choice. In a series of experiments, we (1) demonstrate the basic effect that personalized product recommendations can cause consumers to make better choices and yet feel less satisfied with these decisions and (2) examine the psychological mechanisms underlying the ironic negative effects of such recommendations on subjective consumer decision outcomes.

■ TD05

Seminar Room 2.5 (Room 2012)

Movie Marketing II

Chair: Berend Wierenga, Full Professor, RSM Erasmus University, Burg. Oudlaan 50, P.O. Box 1738, Department of Marketing, Room T10-03, Rotterdam, ZH, 3062 PA, Netherlands, bwierenga@rsm.nl

1 - Cycles of Channel Evolution: An Account of the Motion Picture Industry

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We propose a framework that characterizes the formation and evolution of production and distribution channels. This framework views channels as consisting of mutually reinforcing institutional and structural compo-

nents. Channel institutions are defined as jointly-held cognitive, value, and governance systems that facilitate and enhance productive activity around a set of related products and services. Channel structure is defined to consist of the various inter-organizational relationships present in producing and making available to consumers a set of related products and services. We argue that channels form and evolve in a cyclical process that can be described by five phases: (1) catalyst, (2) experimentation, (3) network emergence, (4) institutional change, and (5) structural stability. Each cycle leaves a progressive legacy, updating the channel institutions and structure, and yielding economic and social consequences. Institutions and structure develop symbiotically in this process: the prevailing structure helps precipitate institutional change and new institutions contribute to structural change. We describe the history of the motion picture industry to illustrate our framework.

2 - Movie Star Salaries and the Volatility of Movie Revenues

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Research has found conflicting results regarding the profitability of movies that have big-name stars (Ainslie et al 2005, Elberse 2006). Ravid (1999) demonstrates that stars capture their expected economic rent, implying that the average excess revenue generated by movies with big-name stars will equal (on average) the excess salaries these stars are paid. Why then, do stars still command excessively high salaries? The hypothesis of this paper is that while stars may not generate excess profits, their presence results in lower volatility of revenues. I find that star salaries are negatively correlated to (lagged) earnings volatility for their movie releases. I plan calculate the 'financial' risk or relative volatility (σ) over time for the top stars in the movie industry. Thus, this research demonstrates that salaries are justified by volatility reduction, and not a profitability increase.

3 - Decision Support for the Movie Industry: Demand-Driven Scheduling of Movies in a Multiplex

Berend Wierenga, Full Professor, RSM Erasmus University, Burg. Oudlaan 50, P.O. Box 1738, Department of Marketing, Room T10-03, Rotterdam, ZH, 3062 PA, Netherlands, bwierenga@rsm.nl, Josh Eliashberg, Quintus Hegie, Jason Ho, Dennis Huisman, Sanjeev Swami, Charles Weinberg, Steve Miller

For theater exhibitors, an important marketing question is deciding, for a given week, which movies to show on what screens at what days and hour. This problem is a complex problem, especially for large multiplexes. We have developed a decision support system, SilverScheduler, that includes (i) a demand assessment model which makes conditional forecasts for the numbers of visitors per show; and (ii) a movie scheduling algorithm to find an optimal schedule for each week. The demand model is a forecasting procedure with two submodels. The first (for movies that have been running already) is an exponential decay model, where the number of visitors in the previous weeks is used to estimate the parameters. The second module addresses newly released movies, where the parameters of the exponential decay model are predicted on the basis of the characteristics of the movie. The optimization problem, formulated to schedule movies to specific time slots, is a complex integer programming problem. We employ, as a solution, the recently developed principle of column generation (applied in several other classes of scheduling problems, including production planning, vehicle routing, and train driver scheduling). In the paper we will discuss the SilverScheduler model and report on an application in a 13-screen multiplex theater in Amsterdam. Once demand forecasts are produced, an optimal solution is generated quickly (average runtime 2.5 minutes). Compared to the manual procedure currently in use, the SilverScheduler system is able to program more showings takes better account of the managerial requirements, and is estimated to generate more visitors.

■ TD06

Seminar Room 2.6 (Room 2013)

Long-term Behavior in e-Marketing

Chair: Juanjuan Zhang, Assistant Professor of Marketing, MIT Sloan School of Management, 1 Amherst St, Room E40-171, Cambridge, MA, 02142, United States, jjzhang@mit.edu

1 - Modeling Concentration Degree on the Most Valuable Customers for E-Commerce Sites

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While examining the most valuable customers for an e-commerce site, should one focus on the customers who visit the site frequently but spend less, or those who visit the site infrequently but spend more on each visit? In terms of the consumer search propensity, should we focus

on the customers who visit the web site frequently or those who make in-depth search for each visit by having a larger number of page views? To answer these questions, we take a perspective of customer concentration which measures the cumulative customer purchase frequency or spending amount accounting for the x % of customers based on their ranking in the number of visits or page views (e.g. $x=1, 2, \dots, 100$). That is, if the most y % of purchase frequency/ amount could be accounting for x % of customers by the number of visits more than by the number of page views, this x % of customers with heavy visits would be the most valuable targets, otherwise the customers with in-depth page view would be the targets. We apply the model to the comScore database with a focus on frequently purchased product categories such as books, music, and movies. Our findings have important implications to online marketers in targeting the most valuable group of customers in terms of their search propensity.

2 - On the Similarities of Online Customer Satisfaction and Loyalty Models in Disparate Contexts

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Rakesh Niraj, Pinali Venugopal

Our study examines the extent to which satisfaction and loyalty models are similar for disparate online contexts such as online retailing and content sites browsing. Prior literature in the field and our qualitative study revealed eight variables potentially influencing satisfaction and loyalty for commerce sites - ease of use, customer service, Web community, privacy, Web skill, security, merchandising and fulfillment/reliability. For content sites, in addition to the first five of the above factors, three new factors - information quality, experiential quality and flow - also emerged as potentially important. We collected data through two separate surveys in India. We used multi-group analysis approach in LISREL to test the two models simultaneously. Our findings indicate that among context-general determinants, ease of use and Web skill are significant predictor of both loyalty and satisfaction across two online settings. Among context-specific variables, fulfillment/reliability has significant impact on satisfaction and loyalty for retailing sites while information quality and flow are significant predictors of satisfaction for content sites. The results also show that Web skill moderates the relationships of ease of use and security with satisfaction. We contribute to literature by presenting a framework for simultaneous consideration of context-specific and context-general factors. We identify satisfaction and loyalty mechanisms that are potentially generalizable across the two online contexts and estimate the relative effects of context-general and context-specific determinants. We also test the moderating effect of Web skill on multiple satisfaction and loyalty determinants.

3 - How Web Quality Leads to Web Portal Loyalty? The Mediating Role of Trust and Commitment

Jimmy Lee, University of Macau, Av. Padre Tomas Pereira, S.J.
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The hyper growth in the number of web sites makes the virtual environment all the more competitive which means that if a web site (whether commercial or non-commercial) cannot retain surfers, they may be gone forever. Maintaining good relationship with web surfers is generally ascertained as a way to achieve web site effectiveness. Customer loyalty is well-established as the central concept in relationship building and numerous researches were being undertaken on identifying drivers of loyalty. This study aims at identifying factors, precisely web quality, trust and commitment, as determinants of loyalty towards web portals, the type of website that is under-researched but far too important due to its high reach and frequency of visit by majority of the web surfers. Web quality is being defined as the overall ability of the web site to provide excellent services in terms of content quality, interaction quality and usability. Results show that web quality influence web loyalty through trust and commitment. Usability is found to have no significant effect on trust nor commitment while service interaction and content plays a more vital role in shaping them both. This means that web surfers regarded the content and interaction as more important in their choice of portal sites and will stick with them even if they are not too user-friendly. This study also substantiates that trust and commitment are indispensable mediators of the quality-loyalty relationship in the Internet setting. It also confirmed the fact that trust is more important than commitment in shaping loyalty.

4 - Can Information on Demand Asymmetry Lead to Demand Expansion? A Field Investigation

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An industry is more concentrated when market shares are more asymmetrically distributed across firms. A larger degree of market concentration has often been found to correlate with low aggregate industry demand. However, when consumers infer high product quality from

large market shares, demand asymmetry can actually boost aggregate demand. We conduct a field experiment which manipulates whether and how market share information, measured by click-through rate, is publicized for an online wedding vendor listing service. We vary whether to display the number of clicks a vendor has received, and whether to rank the vendors alphabetically or based upon the number of clicks. We find little evidence that customers are influenced by the page position of the vendor. However, we do find strong evidence that when vendors are ranked by market share, demand for those with the highest market shares increases, raising aggregate demand over the level when no information about market-share-based ranking is available. The experimental results confirm our theoretical predictions that herding effects can help generate extra interest for a category, in addition to reallocating demand across products. The results also suggest that herding is more likely to happen when consumer search costs are low.

TD07

Seminar Room 2.7 (Room 2014)

Marketing Metrics I

Chair: Marc Vanhuele, Associate Professor/Associate Dean,
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1 - Explaining Growth Expectations

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Srivastava, Tanja Frischmann

Financial markets consider shareholder value, e.g., market value, as a very important financial performance measure for firms. The shareholder value concept aims to create value for the shareholders as the formal owners of a firm and any investment decision should be justified in the context of shareholder returns. Apparently, high market value is an important corporate goal. Thereby, senior managers tend to focus on short-term performance under the misperception that the investment community focuses on quarterly earnings. The marketplace evidence is otherwise: the intrinsic (current) value of companies based on capitalization of existing cash flows represents about 85 percent of the total value. The remaining market capitalization then depends on expectation of future growth and risk. This paper decomposes market capitalization for financial companies into two components: current financial performance and expected financial performance based on perceived growth and risk. Subsequently, we explore the role of both financial and marketing drivers of these components of value. Our analyses reveal that trust (reputation) is positively associated with the current value component of market capitalization, while the marketing budget is associated with the future (growth) component. Customer satisfaction reinforces both current and future performance components.

2 - The Adequacy of Marketing Development as Determinant of Corporate Performance in Mainland China

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While there are contrasting findings regarding the predictive power of Market Orientation on company performance, Marketing Development may be a better predictor especially in developing countries. Mainland China is a newly industrialized market with a lot of small and medium sized enterprises and most of these are run by local entrepreneurs without/sufficient training in marketing. As such, an extensive literature review was done and Marketing Development was identified to be one of the most suitable instruments to adequately and accurately assess the level of marketing performance in China. It actually came from the large number of studies published by Professor Graham Hooley and his colleagues during the eighties and the nineties undertaken on then the developing economy of Britain. The construct is operationalized as including three components namely marketing philosophy, marketing practice and marketing organization. Because some factors are non-interval (in particular practice and organization), categorical regression (CATREG) which incorporates different types of variables was employed to delineate the effect of these three components on corporate performance. Results show that the three components of marketing development together contribute positively and significantly to corporate performance with an R-square of 50.9% which is much higher than the 5.3% when regressing performance on market orientation. Among the three components, marketing practice and marketing philosophy are found to have the highest contribution with marketing organization the least. Thus, holding both a sound marketing philosophy and putting that into practice have significant contribution in fostering overall corporate performance.

3 - Counting What Will Count: Does Your Dashboard Predict?

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Faced with information overload in today's complex environments, managers look to marketing dashboards to concisely convey market information and provide direction for marketing decision making. Unfortunately, little consensus exist on which metrics such dashboard should track. We argue that marketing dashboard metrics should represent leading indicators of company performance; changes to such metrics should imply a change to future performance. We propose and compare (based on out-of-sample forecasting accuracy) different methods for selecting leading indicators: factor analysis, reduced rank regression and modern time series analysis (Granger Causality tests and Vector Autoregressive Models). Our aim is to identify variables that can parsimoniously and accurately predict future performance. We apply our approach to a fast moving consumer good category, with a leading national brand and a private label. We select leading indicators for national brand sales out of 96 brand-specific and relative-to-competition variables including price, brand equity, usage occasions and multiple measures of awareness, trial/usage, purchase intent, and liking/satisfaction. We find convergent evidence that only a handful of these variables lead performance. Plotting impact size and wear-in time reveals that different kinds of variables predict sales at distinct lead times, implying specific marketing actions to turn the metrics around before performance itself declines.

4 - Linking Customer Metrics to Brand Performance

Marc Vanhuele, Associate Professor/Associate Dean,
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Brand performance is the key dependent variable for two parallel groups of researchers: those who focus on how brand sales are influenced by marketing actions and those who focus on customer mindset metrics like perceptions, attitudes and intentions. Research on advertising effectiveness and brand equity, for instance, typically falls in the second category. In practice, however, measures on the entire sequence are rarely combined. Recently, the usefulness of the customer mindset measures has even been put into question and "researchers and companies find that they can bypass unobserved metrics" (Gupta and Zeithaml 2006). On the other hand, the Marketing Science Institute defined as one of its research priorities for 2006-2008 the combining of behavioral and attitudinal data to predict brand performance. Our first research question is therefore to what extent consumer mindset metrics account for brand performance over time. Second, we examine if these metrics convey information over and above the information on marketing actions. For instance, if both short and long-term effects of advertising are captured in a market response model, is there any interest in also modeling, and therefore measuring, attitudes and purchase intentions? We answer our research questions by applying Vector Autoregressive (VAR)/ Vector-Error Correction (VEC) models on a unique dataset with 7 years of monthly measures of sales, marketing actions, and consumer mind metrics for multiple categories. Our results show that consumer mind-set measures such as awareness, consideration, and intention play a crucial role in the long-term brand performance.

TD08

Seminar Room 2.8 (Room 2015)

Innovation: Co-creation and Creativity

Chair: Chander Velu, Assistant Professor, Judge Business School,
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1 - Exploring Customer Judgment and Decision Making in the Context of Mass Customization

Xiaoyan Deng, Marketing Doctoral Student, Wharton School,
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Marketing researchers have been debating on whether mass customization decreases or increases the uncertainties and risks faced by customers when they taking on the role of co-designer to configure their own products. On one hand, as the core of mass customization, a customer co-design process integrates customers into value creation by transferring their needs and wants into a concrete product specification, a process that usually operates in an interactive online environment with a fixed solution space, providing a dynamic flow of customized products that exactly meet the needs of individual customers. The value created by customers is twofold: other than a product that better fits their needs than the best standard product attainable (Piller 2003), the

co-design process per se can give rise to intrinsic rewards such as flow experience (Novak, Hoffman, and Yung 2000) and pride of authorship (Franke and Piller 2004). On the other hand, although finite, the solution space within which a mass customization offering is able to satisfy an individual customer's need is still overwhelmingly large. For instance, the design task carried out in our studies involved 60,374,160 different possible designs. Orthogonal to the size of choice set, customers are not always clear about their own preferences. Together, these two factors might transform mass customization into "mass confusion" (Huffman and Kahn 1998). Building upon the previous research, this research addresses some fundamental issues of mass customization: Given a fixed yet flexible solution space provided by manufacturers, will customers' "true" ideal point (product) be better matched by their own design, a representative customized design, a random customized design, or a professional standard design? Will this match change over time? Will the mere fact that being the designer of a product influence the customer-designer's preference for that product and, if yes, how? We set out to answer these questions in three online empirical studies.

2 - What is Creative to Whom? Investigating the Effect of Product and Consumers' Characteristics

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Mazursky, Andrea Ordanini

Creativity has been attracting growing attention from marketing scholars as a key tool to increase new product performance and obtain diversification. However, these studies were limited to managerial perceptions and failed to assess new product creativity from the consumer's side. This work has three purposes: understanding what type of relationship links novelty and appropriateness (the two critical dimensions of creativity) in consumers' evaluations of new product creativity; assessing how creativity evaluations differ between science and design-based new products; clarifying which creativity component - novelty or appropriateness - is more relevant in defining new product creativity for experts vs. non experts and for low vs. highly involved consumers. By means of an experimental design involving 425 Italian consumers, the research shows that: a)creativity is higher when either novelty or appropriateness are high, rather than when both are high; b)novelty is more relevant in determining creativity when consumers are evaluating design-based products, whereas appropriateness is more relevant when consumers are evaluating science-based products; c)highly involved consumers tend to perceive products as less creative, and are less sensible to novelty in their evaluations; d)experts tend to perceive products as more creative, but their evaluations are more influenced by the novelty rather than the appropriateness of the product. The research suggests that, contrary to what theory says, novelty and appropriateness are not equally important in consumers' perceptions of creativity, but their relevance varies according to the characteristics of the product or to some personal characteristics of the consumer. Managerial implications are provided.

3 - Why Does A Consumer Participate in the Co-creation? A Study on Consumers' Creative Motivation

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Nan Cui

Nowadays consumers are increasingly participating in processes of new product development. Current literatures on consumer creativity fail to provide an appropriate theory foundation for the creative participation or explain why a customer intends to co-create new value with a firm. From the perspective of co-creation, we explore the consumers' creative participation by introducing Uniqueness Theory and OSL (Optimum Stimulation Level) Theory to the framework of our study. A 2(encouragement for creative participation: high or low) X 2 (relationship between service provider and consumer: strong or weak) between-subjects design is conducted to manipulate the experimental environment. The results indicate that the need for cognition, which is verified to influence the intention of creative participation in some psychological studies on creativity, has no significant direct effect on consumers' intention to cocreate values with firms. We also find that consumers' need for unique product (NFUP) as well as their need for unique experience (NFUE) positively correlates with consumers' creative participation intention. In addition, consumer's trust in a firm strengthens the relationship between NFUP and intention to participate in cocreation. Moreover, the encouragement for co-creation from the firm positively moderates the relationship between NFUE and creative participation intention.

4 - Open Innovation: An Economic Analysis of Flexibility vs Control of Information

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Marshall Van Alstyne

Open innovation business models create tension between the benefits of standardization through centralized information control against the benefits of flexibility afforded by decentralized control at the level of the business unit. We use a real options based framework and the theory of incomplete contracts to derive propositions about the optimal level of information standardization across the enterprise. The approach defines formally how incentive structures influence ownership of the option value or value of flexibility, which is an intangible information asset. Applications of the propositions are illustrated with case vignettes. The paper makes two main contributions. First, the paper shows that optimal standardization and centralization requires a firm to consider the extent to which business units are interdependent, the level of subsidy for scope benefits, the extent of integration with third party firms and managers' compensation by explicitly valuing the benefits of flexibility lost in standardization efforts. Second we show how to more precisely consider aligning incentives in information standardization within open innovation business models. More generally, balancing the competing benefits of flexibility and standardization help firms respond to changing environments by being more market orientated. Being more market orientated facilitates firms to become more efficient in information generation, dissemination and response. This enables them to be more innovative with products and services. Therefore, as firms open their business models to engage directly with customers and suppliers to commercialize ideas and co-design solutions, they also need ways to value their information management practices.

TD09

Seminar Room 3.1 (Room 3001)

Choice and Preference at Multiple Levels

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1 - Myopic or Not Myopic?: A Retailer's Strategic Choice

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The paper investigates the impact of a retailer's myopic behavior on the outcomes for channel members. Myopia refers to the lack of recognition that today's decision has an impact on tomorrow's outcome, and amounts to discounting future rewards at an infinite rate. The problem takes place in a marketing channel where a monopolist manufacturer controls the transfer price and the advertising rate designed to build brand equity. The brand is distributed via a unique retailer that controls the retail margin, which affects the retail price. We consider that the retail price plays a dual role, namely, as a driver of demand and a determinant of the market potential of the brand. The retailer has the strategic choice of adopting a myopic or a far-sighted behavior, depending on the outcomes of both scenarios. Our objective is the address the following research questions: 1. Is it beneficial to the retailer to behave myopically? 2. Is it preferable for the manufacturer to deal with a myopic retailer? 3. How does a retailer's myopia affect pricing and advertising strategies? The problem is modelled as a differential game that takes place in a bilateral monopoly. Feedback Nash equilibria are sought for the two scenarios, i.e., with a myopic retailer and a far-sighted one. Since the equilibria turn out to be not amenable to a qualitative analysis, we design a series of simulations to analyze the impact of key model's parameters on strategies and outcomes, as well as to assess the impact of myopia on them.

2 - Service Diffusion Augmented by Brand Choice

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Many cases of innovation diffusion feature the following two characteristics: First, apart from an initial time period in which only one alternative is available, the customer adoption process also involves a choice between product category alternatives. Second, the adoption process does not include one stage only. A potential customer might go through various stages such as awareness or consideration before finally adopting the innovation. These two characteristics are often not addressed in diffusion or choice models. In this study, we suggest a brand-level diffusion model that addresses both phenomena. The model is intended primarily for diffusion processes of continuous services, but can also be

used (with some modifications) in the context of durable goods. The non-adopter population in this model is divided into two distinct segments that differ in service consideration, i.e., considering and non-considering potential customers. Accordingly, the model includes two stages. The first stage describes the flow from non-consideration to consideration. This stage is modeled within the hazard framework. The second stage describes the choice between service alternatives, as well as the option of deferring choice. This stage is modeled within the choice framework. Potential customers' heterogeneity is incorporated into the model through individual-level parameters. Aggregate- as well as individual-level model indications, combined with additional knowledge concerning the covariates that affect the flow between adoption states, enable differential handling of the two segments. In addition, the model enables the analysis of penetration patterns and prediction at the brand level. The model is estimated and validated using data on a new price package service.

3 - Modeling the Behavioral Brand Loyalty of Chinese Consumers: Are Findings Consistent Over Time?

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Presented is a two-part investigation of behavioral brand loyalty in the context of packaged goods markets in China. The NBD-Dirichlet and Generalized Dirichlet models of brand choice and purchase incidence are used to analyze revealed preference data for two product categories (toothpaste and soy sauce) in two cities (Shanghai and Xi'an), with particular attention being paid to whether the findings are consistent over a five year period (1999-2003). In part one, NBD-Dirichlet analysis shows that patterns found in the Chinese data are similar to those reported previously in Western markets, with consistent findings over time. For instance, the double jeopardy effect and multi-brand loyalty are consistently observed in the toothpaste and soy sauce markets in both cities and over the five years that are examined here. Results distinct to the Chinese market are also identified: behavioral brand loyalty appears to be declining and there are between-city differences in the magnitude of this decline. In part two, Generalized Dirichlet analysis shows that covariates can have a significant impact on behavioral brand loyalty; however, the impact is not consistent over time. This is demonstrated by examining the impact of two covariates (family income and household size) across all our datasets. This two-part investigation provides insights into Chinese packaged goods markets and demonstrates the importance of checking findings for their consistency over time. The patterns described by the NBD-Dirichlet model are very consistent, whereas this is not the case for the more nuanced results from the Generalized Dirichlet model.

TD10

Seminar Room 3.2 (Room 3003)

Topics in Channel

Chair: Maria Smirnova, Dr., St. Petersburg State University, Graduate School of Management, Volkhovskiy, Per. 3, Saint Petersburg, 199004, Russian Federation, smirnova@som.pu.ru

1 - Assessing the Impact of Supply Chain Disruptions on Market Access: A Catastrophe Approach

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Prior to the occurrence of recent man-made and natural disasters such as terrorist bombings, hurricanes, and other catastrophic events, little research was devoted to the impact of such happenings on marketer access to affected markets. These events have raised the awareness of the potential negative impact of such events on the operation of supply chains and resulting reduction or temporary elimination of physical access to affected markets. Increased globalization of markets and of supply chains has also added to this general problem by contributing to increased potential for a disruption in one part of the world to affect supply and market access in another area. The approach presented here uses the cusp catastrophe model. The model is used to relate the probability of need for significant action to mitigate effects of a disaster on market access, to the relative importance of the market and the relative degree of the supply chain disruption. The primary contribution of this research is that it presents a way of analyzing and forecasting conditions under which significant mitigating action may be required, and can assist marketers in the development of strategies to minimize the impact of such situations on market access. The model can also assist marketers in the development of a continuity or series of strategies aligned with varying degrees of potential reduction or elimination of market access. The model also examines what happens after mitigating action is taken and the process of returning to the market access situation that existed prior to the disruption.

2 - Relationship Between Trust and Monitoring in Administered Marketing Channel: A Lab Experiment

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Monitoring is an important element of control and involves cost, time and energy. Trust and control have been mentioned as opposite forces in research on principal-agent relationship. Hence, where there is trust there should be less monitoring. Extant literature touches upon the relationship between the two phenomena perfunctorily. In this doctoral study, two types of trust were captured: Goodwill Trust and Competence Trust. Each of these two trusts was broken into subconstructs of cognitive, affective, intended behaviour and stated behaviour as forms of trust. They were correlated with Control-based Monitoring and Need-based Monitoring. The study was conducted using a simulation in distribution as a laboratory for capturing data. The respondents were executives in leading organisations in India and graduating MBA students. The study tested the hypotheses that (a) there is no relationship between the two types of trust and (b) the relationship between the subconstructs of trust and monitoring is negative. Goodwill trust and Control-based Monitoring were expected to be negatively related; similarly, Competence Trust and Need-based Monitoring were expected to be related negatively. The test was carried out using scenarios of high and low trust in the simulation context. While the study confirmed the postulated relationship between cognitive/affective trust vis-à-vis monitoring, the other two forms of trust threw mixed results. The seemingly unrelated goodwill and competence trusts were found to be positively correlated. Plausible explanations for this unusual finding are discussed.

3 - Deconstructing the Benefits of Direct Retail Channels

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We deconstruct the benefit of the direct retail channels, including call centers and Internet. We model the shopper's purchase decision as a two stage process. In the first state, the shopper decides whether or not to engage in an extended search to obtain more information to reduce purchase uncertainty. In the second stage, the shopper decides among information rich or all channels depending on the outcome of the first decision. We model the shopper's purchase decision as influenced by access costs, order placement costs and information acquisition costs. We model the ability to shoppers to learn how to use a channel through practice. Order placement costs and information acquisition costs vary with the size and nature of the basket. Information needs increase when there is a price shock—the price of the item significantly deviates from reference prices. Similarly, a shock of first purchase — this item is the first time a purchase is being made in this category from this retailer — also increases information needs. Information needs also decrease with past purchases in the category. The model is estimated using transactional account data on shoppers' choices between the Internet, the Call Center, an automated voice response system and mail in the context of a multi-channel direct retailer. Perceived order placement costs are an important differentiator of channels with the Internet having a lower perceived order placement cost compared to the call center. Information acquisition costs also vary by product category and information-rich channels.

4 - Relationship Styles in Customer-supplier Interaction: Empirical Evidence from Russian Markets

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The paper reports on the results of a recent study conducted on the base of a sample of 208 Russian firms. The idea of the study is connected with substantial changes in managerial culture in Russia over the last decade. We assume that these changes affect both effectiveness of interaction, strategic orientations of the firms and the priorities set by the parties involved. The style of interaction thus can be described by a set of variables, as mutuality, long-term orientation, flexibility, readiness to share information and to solve problems informally. Our main assumption is that the style of interaction has direct influence on supply chain performance and is determined by business processes quality of each party involved. There is a general lack of studies on Russian markets, and in particular on the management style and interaction strategies, as well as measurement of the effectiveness of the interaction approaches used by the companies. The description of the relationship styles can provide highly useful contribution for further research and better understanding of existing specifics of Russian firms strategies. We use SEM methodology to test the hypotheses of the study. The paper describes the interaction from the side of responsibilities distribution, power aspects, as well as specific investments and adaptations. Finally,

we analyze, whether there are specific patterns of interaction style according to the way of firm's foundation (privatization of former Soviet enterprise or new start-ups), structure of owners, industry, paying particular attention to operational features of interaction and links to interaction effectiveness measurement.

TD11

Seminar Room 3.3 (Room 3005)

Pricing IV

Chair: Fabio Ancarani, Associate Professor, Bocconi University, Via Bocconi, 8, Milan, MI, Italy, fabio.ancarani@sdabocconi.it

1 - Price Optimization in Business Insurance

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Firms need to price competitively in a competitive market. In order to maximize customer profitability, many companies have adopted price optimization strategies based on price elasticity. However, previous research related to this topic focuses mainly in the consumer markets, and little research is done in B2B markets. This study investigates the price optimization for business insurance in the UK. This is done by firstly estimating the price elasticity. Different approaches were used to estimate the price elasticity of prospective customers at customer acquisition stage and existing customers at customer retention stage. Our results show that the price elasticity varies by segments. Some businesses with certain characteristics are very price elastic, contrary to the general view of that businesses are less sensitive to the variation in price when making organizational purchases. Then, with the estimated price elasticity, an "optimal" price can be calculated for each segment to achieve the sales target. The study contributes to the literature by demonstrating how B2B companies can develop customized pricing strategy based on price elasticity to maximize customer profitability.

2 - Flat Fee or Pay-As-You-Use: Case Study about Electronic Payment Service

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Costs associated with setting of electronic payment service are enormous. Yet most financial service providers prefer electronic payment over printing cheques. A critical question for service provider concerns customer's willingness to pay for rapid fund transfer. Particularly, what should be fee structure for such service, should it flat monthly fee or percent of transaction or fee per transaction? A literature review suggest that a non-discriminating monopolist is likely to charge flat fee over usage fee (Oi, 1971). A recent paper by Essegai, Gupta and Zhang (2002) suggest that usage rate variation and capacity constraint may result in variety of price structures. We collected data for a randomly selected customers using online survey. 196 customers responded to a modified discrete choice experiment where payment service attributes were varied service. The service attributes represented the current service profile and electronic payment service attributes and various price structures. Each customer responded to 15 service profiles. Three price structures involved fixed fee per month, fee based on percent of transaction and fee per transaction. In addition, three service attributes were speed of payment, payment format and payment consolidation. Our statistical analysis indicated that customers prefer electronic payment over paper based system. Moreover, customer prefer flat monthly fee over uncertain transaction based fee structures. Service provider, however, is likely to gain more revenue, if it can implement fee based on percent of transaction.

3 - Are Customers Always Right? Fees to Protect Firms from Customer Opportunistic Behavior

Fabio Ancarani, Associate Professor, Bocconi University, Via Bocconi, 8, Milan, MI, Italy, fabio.ancarani@sdabocconi.it, Eitan Gerstner, Thorsten Posselt, Dubravko Radic

Consumer advocates criticize the increase use of fees charged on top of the prices for the core products as ploys to empty customer pockets. Our research shows that this criticism is not always justified, and that some fees (such as cancellation fees, restocking fees, nonrefundable shipping and handling fees, and cover charges by restaurants) are necessary to protect firms from opportunistic consumers, and also to protect well-behaved consumers from paying higher prices.

TD12

Seminar Room 3.4 (Room 3007)

Empirical Research in Branding

Chair: Raji Srinivasan, Assistant Professor, University of Texas at Austin, CBA 7.248, Austin, TX, 78733, United States, raji.srinivasan@mcombs.utexas.edu

1 - Conditional Cross-brand Learning: When are Private Labels Really Private?

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While some researchers view private labels (PL) as a key tool for store differentiation, others imply that consumers do not distinguish between PLs of different chains. As such, it is not a priori obvious when investments in PL quality set retailers apart from competition, and when they spill over to and subsidize rival PLs. In this research we hypothesize that consumers generalize the knowledge gained through product experience across PLs. Moreover, we argue that the strength of such cross-brand learning is conditional on the perceived quality similarity - which decreases with actual brand differences and as consumers learn about products' quality. We develop a brand choice model that captures this "conditional" cross-brand learning through two effects (i) quality perception spillovers (consumers adjusting their mean beliefs about a PL's quality based on the consumption experience with other PLs), and (ii) familiarity spillovers (consumers' uncertainty about a PL diminishing with the consumption of rival PLs). Our framework implies that a PL's positioning determines the sign and magnitude of those spillovers and that while PL differentiation is achievable through a highly superior positioning, it involves foregoing benefits that can stem from spillovers. Using household scanner panel data for the dish detergent category we find support of our hypothesis. We also find that familiarity spillovers dominate quality perception spillovers, favoring combination of "herd" (average quality) and "free-riding" (below average quality) positioning strategies. "Quality leadership" positioning requires, in contrast, establishing a sufficiently large quality gap to break away from rival PL spillovers.

2 - Sources of Brand Equity: A New Model to Represent Unbiased Perceptions

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In this paper we present a new likelihood-based model to represent unbiased brand perceptions. The model simultaneously disentangles brand-specific preference and attribute-specific ratings and calculates a two-dimensional perceptual map. The resulting map is obtained by a dimensionality reduction of a joint representation of attribute based and attribute free ratings. A full factorial experiment over the four product categories of the FCB matrix (to control involvement and learning typology) shows how the model succeeds in explaining the genuine attribute-based reasons for a brand position. This is done against situations in which traditional PCA gives a first component above 90% of variance explained resulting in non informative maps (opposite: failing in explaining the sources of brand preferences). The study uses Aaker's Brand Personality and Young & Rubicam Brand Asset Valuator scales. The aim of the study is twofold, it being rooted both in methodological and conceptual domains. The former refers to the development of a new technique that deals with the collection of multiple batteries of measurements from the same set of respondents, simultaneously decomposing brand rating into its main components, namely functional and image. The latter is related to the contribution to the brand equity literature trying to unbiased attribute-based judgements. Any attempt to analyze and to map brand ratings is connected to the measurement of the equity associated to a brand: with our work we hope to shed further light on the understanding of equity's sources.

3 - The Quest for Citations: Drivers of Article Impact

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Why do some articles become building blocks for future scholars, while others remain unnoticed? We aim to answer this question by contrasting, synthesizing and simultaneously testing three scientometric perspectives - universalism, social constructivism and presentation - on the influence of article and author characteristics on article citations. To do so, we study all articles published in a sample of five major journals in marketing from 1990 to 2002 that are central to the discipline. We count the number of citations each of these articles has received and regress this count on an extensive set of characteristics of the article (i.e.

article quality, article domain, title length, the use of attention grabbers and expositional clarity), and the author (i.e. author visibility and author personal promotion). We find that the number of citations an article in the marketing discipline receives, depends upon "what one says" (quality and domain), on "who says it" (author visibility and personal promotion) and not so much on "how one says it" (title length, the use of attention grabbers, and expositional clarity). Our insights contribute to the marketing literature and are relevant to scientific stakeholders, such as the management of scientific journals and individual academic scholars, as they strive to maximize citations. They are also relevant to marketing practitioners. They inform practitioners on characteristics of the academic journals in marketing and their relevance to decisions they face. On the other hand, they also raise challenges towards making our journals accessible and relevant to marketing practitioners.

4 - Valuing Branding Strategies in New Product Introductions: A Hedonic Regression Approach

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The choice of an appropriate branding strategy for new product introductions is a key marketing management decision. Managers can pursue a variety of different branding strategies in their new product introductions including, for example, corporate branding, family branding and individual branding. In this research, we examine the effects of diverse branding strategies (e.g. corporate branding, family branding and individual branding) that firms can employ for new product introductions on the products' prices. That is, we estimate a model relating a product's branding strategy, in conjunction with other product and firm characteristics, to its price. We implement the hedonic regression analysis approach using the prices of 253 new product introductions in the cookies, snack bars, and ice cream categories between 2002 and 2004. We use the graphical area on the product's packaging devoted to each brand level to develop a continuous measure of the firm's various branding strategies. We estimate the model using a random effects, mixture regression model to account for unobserved heterogeneity across brands. The results support the proposed mixture model relating the product's branding strategy to its price. We find multiple segments with different weightings characterizing how the various branding strategies, in conjunction with the other product and firm characteristics, influence the product's price. The specific findings should be useful for managers involved in the development of product launching strategies.

TD13

Seminar Room 3.7 (Room 3026)

Bayesian Applications

Chair: Garrett Sonnier, Assistant Professor, University of Texas-Austin, Department of Marketing, 1 University Station, B6700, Austin, TX, 78712, United States, garrett.sonnier@mcombs.utexas.edu

1 - A Framework of Applying a Hidden Markov Model in Analyzing Customers' Behaviors

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This study uses a hidden Markov model (HMM) in analyzing customers' behaviors from probabilities viewpoints. The state in HMM would be changed in accordance with the transition matrix, and the observer only sees the output of the random functions associated with their respective state and cannot directly observe the states. HMM is one of the best tools to observe the evolution of systems over repeated trials in successive time periods where the state of the system in any particular period is uncertain. The transition-emission transformation is used to describe the manner where the system makes changes from one period to the next. The transition matrix is to compute conditional probabilities of being in a future state given a current state. The emission matrix is to describe the manner where the system makes emission under one state. A case study of library users in a university is conducted. Four major questions were asked to gather the needed probabilities with four items to be chosen, i.e., the frequencies of visiting the library in-person last week and this week, and the average durations of time in the library last week and this week. Thus, there are four distinct states (frequencies) with four distinct observation symbols (the average duration of time) per state. The transition matrix is to compute the probability of current state given the previous state, whereas the emission matrix is to calculate the probability of current observation symbols given the current state. By applying HMM, it is able to explain the possibly heterogeneous nature of sets of observed sequences and to handle partially observed training data. Finally, a clear and well-defined procedure is to be summarized and the results are to be discussed.

2 - An Empirical Model of Advance Purchasing Pattern for Perishable Goods

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Advance selling is frequently used for the sale of perishable goods. Understanding the dynamics of demand arrival pattern is at the heart of managing advance selling. Applying Bayesian hierarchical modeling approach, we propose a non-homogeneous poisson model allowing for over-dispersion to study customer advance purchase behavior and its impact on revenue. Our empirical analysis of advance booking for hotel rooms shows that booking rates from the earliest to the last week before check-in date exhibit a pattern with a long and flat tail followed by a strong rapid buildup. We disentangle the booking pattern by considering customer heterogeneity and channel difference. We find that corporate customers' booking pattern exhibits a shorter tail and a 66% higher incremental rate of booking than that of non-corporate customers (booking rate is 27.8% higher for corporate customers and 16.7% higher for non-corporate customers as it gets one week closer to the check-in date). Comparing the advance booking patterns of four major distribution channels, we find that the booking rates of two channels exhibit clear pattern of long tail and strong rapid buildup, but the other two show weak buildup, implying different selling strategies across channels. In analyzing the impact of booking pattern on revenue, we find that although the main focus of advance selling management in current practice is on the strong buildup period, the long tail period on average accounts for more than 13% of the total revenue. 10 additional bookings in the long tail period can increase overall revenue by 6%. This implies that aside from investing more on booking management of the strong buildup period, more sophisticated analysis of the long tail period could be another effective approach to improve revenue.

3 - The Value of Brand-Image Associations

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Andrew Ainslie, Thomas Otter

We propose a Bayesian simultaneous factor-choice model to estimate the value of multivariate binomial brand image association data. The factor model accounts for the binary nature of the manifest variables and the parameters are identified via a post-processing estimation strategy. The choice model is parameterized to directly estimate the willingness-to-pay (WTP) for the brand image factors. We develop a Markov Chain Monte Carlo (MCMC) approach to estimate the parameters of the factor and choice models simultaneously, with the factor scores linking the models. The simultaneous model avoids the attenuation bias present in a sequential approach to estimation, where the posterior means of the individual-level factor scores are treated as data and entered directly as explanatory variables in the choice model. The model is estimated using a set of choice-based conjoint (CBC) data, where the consumers choose from sets of branded midsize sedans. For the same set of consumers, we have data on the association of a set of image attributes with the parent brands of the sedans in the CBC study. We find that consumers place significant value on brand image associations. Importantly, the brand image data explains much of the unobserved heterogeneity in the distribution of WTP for sedans. Using Ofek and Srinivasan's (2004) method, we also find substantial market value for improvements in both brand image factors for the sedans in our study. Lastly, we demonstrate how the model can be used to measure the effect of improvements in brand image on market share.

TD14

Seminar Room 3.8 (Room 3028)

Marketing Strategy I

Chair: Joe Urbany, Professor, University of Notre Dame, Mendoza
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1 - Backward Engineering with the Product Life Cycle

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The product life cycle (PLC) concept was introduced for the first time by Theodore Levitt (1965), and since then different conceptualisations of the PLC have emerged (Fox, 1973; Wasson 1974, Anderson and Zeithaml, 1984; Hill and Jones 1998). The life cycle theory is change theory (Van de Ven 1992), and assumes that there is a programme that regulates the process of change which is already prefigured in the present state. The PLC concept "only" broadly describes the circumstances

that the company might face in various stages and how to respond to those challenges; however, it only implicitly tells you what you have to be good at in those stages. Therefore, this concept should also identify the resource pool that can be leveraged by companies in various stages of the product life cycle by applying the resource-based view (RBV) of the firm (Penrose, 1959; Wernerfelt, 1984; Day, 1994; Hooley et al. 2002). Therefore this paper sets out to examine, firstly, whether the actual characteristics of the individual stages do actually match the "textbook predictions". Secondly, to test if the predicted success strategies are found in each case. Thirdly, to identify what resources are needed to implement each strategy and how they vary across the four stages of the product life cycle. The paper also has a strong managerial contribution by pinpointing the resources that companies would require in certain stages, but are lacking. This piece of research is part of an international research programme, and thus, it is based on a multiple country dataset, which allows us to undertake between-country comparison under greater validity.

2 - Analysis of Context Maps for Positioning a Newly Launched Mobile Service in the Korean Market

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Context effects refer to changes in consumer preference and choice responses when a new alternative is added to a choice set. Hahn et al. (2006) developed a comprehensive classification scheme of context effects using share-ratio measures (SRM) and share-change measures (SCM). They also derived relative-substitutability measures (RSM) and relative preference measures (RPM) from SRM's and SCM's of considered alternatives. Using these measures, they propose context maps and preference-substitutability maps that can help making positioning decisions explicitly considering context effects when different alternatives are considered in choice sets. In this manuscript, we show that context maps can be useful not only for analyzing positions of existing alternatives but also for new alternatives. Especially, we apply the methodology to analyze the positioning of WiBro, a new wireless Internet service, recently launched in Korean market. Korean telecommunications market has become a global leader of cutting-edge technologies. Total number of subscribers in the Korean wireless market reached 40.2 million by the end of 2006 showing a penetration rate of 83%. We analyze how the introduction of WiBro affects the consumers' preferences of competing mobile services such as DMB and HSDPA. Based on the analysis, we identify the types of context effects revealed in the market. Also, we suggest positioning strategies for the newly introduced mobile service. Our tentative result suggests that WiBro should differentiate from HSDPA as much as possible and attempt to let consumers consider it as an alternative to DMB. For example, WiBro may get benefit by positioning it as the mobile Internet that can use a variety of terminals.

3 - Late for the Train: How Strategic Framing Retards Response to an Influx of Market Uncertainty

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Much effort has been devoted to understanding the environment so action can be ideally matched to it. Normatively speaking, environmental stability calls for planning and prediction (Porter, 1980). Turbulence suggests employing the power of dynamic capabilities (Eisenhardt, 1989) which enable firms to adapt faster (Tece, et al. 1997). And true uncertainty (Knight 1921) might be effectively handled with control-oriented, effectual actions (Wiltbank, et al. 2006). But what if a predictable environment becomes uncertain? The literature is reasonably quiet on how managers frame and respond to such transitions (White et al. 2003). Our investigation focuses on situations where an influx of uncertainty is introduced. In so doing, we both address a current empirical problem, and we introduce new theory to the marketing discipline. Based on decision-making patterns of expert-entrepreneurs, effectuation (Sarasvathy, 2001) offers a clear set of non-predictive heuristics managers can use to take action under uncertainty. But will they? How swift will they be to jump onto the new train? In an experiment using a multi-period Internet simulation, our sample of 147 corporate managers is presented with a case description of a stable corporation and is asked to articulate a strategy. As the simulation progresses, half the sample is confronted with an uncertain market, while the other half faces predictable outcomes. In each period, subjects must select marketing decisions which incorporate either predictive or effectual actions. We find that when managers have formulated an intended strategy on prediction and not on growth, and are faced with an uncertain market environment, they will be late in changing strategy from trying to predict the future to trying to effectually control it.

4 - Connecting Firm Capabilities and Customer Value

Joe Urbany, Professor, University of Notre Dame, Mendoza College of Business, Notre Dame, IN, 46556, United States, urbany@nd.edu, Jim Davis

The discipline of marketing has explored competitive advantage primarily from the perspective of customer decision-making and positioning strategy. In contrast, researchers in management have tended to define competitive advantage around resources and capabilities via the resource-based view of the firm. Although each recognizes the significance of both "inside" (capabilities) and "outside" (customer value) views, neither discipline has provided a deep exploration of how firms effectively connect the two. In the paper, we frame this issue around a model that distinguishes customers' desired attributes, and perceptions about the firm and its competition in 3-circles. From a marketing perspective, competitive advantage is reflected in an outside view of the firm — that is, customer perception of value or the firm's points of difference (Area A in our model). In contrast, the management discipline has tended to focus on an inside view that captures assessment of the firm's and competitor's resources and capabilities. Ultimately, both disciplines acknowledge that competitive advantage is captured somehow in the linking of these two views. Yet, in-depth exploration of the linkage is missing from both literatures. Here, we explore the challenges of connecting the inside and outside views. We suggest that ultimately, competitive advantage in a world of fast commoditization comes down to linking intangibles: the less tangible resources of the firm (which are most difficult to imitate) with the higher-order factors that drive customer value - needs and values. Further, the analysis naturally leads to the comparative assessment of two different models of the firm's search for growth opportunities: a "market-back" model vs. a "capability-forward" model.

■ TD15

Seminar Room 3.9 (Room 3029)

Resource Allocation in CLV

Chair: Matthias Loetzer, PhD Student, Catholic University of Eichstätt, Auf der Schanz 49, Ingolstadt, 85049, Germany, matthias.loetzer@ku-eichstaett.de

1 - A Framework for Predicting Customer Lifetime Value and for Efficient Allocation of Market Resources

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In today's market, more and more institutions are hoping for a stronger customer focus to ease the escalating, commoditization pressure. The customer retention and customer profitability have become paramount for the success of any business in general and particularly in Non-Life Insurance Industry (NLII). The organizations have started realizing that customers have different economic value to the company and this has led to the incorporation of customer life term value (CLV) or customer equity as a tool in customer relationship management to acquire, grow, and retain the customer. Though there are various research studies related CLV in the literature, to the best of our knowledge, there is very scant treatment of predicting CLV of NLII and allocation of market-resources to NLII. In this study we propose a model for predicting CLV for NLII by integrating various factors like number of transactions per period, premium, cross selling/up selling potentials, retention, claim service, etc. Furthermore a simple greedy heuristic procedure is proposed to allocate market resources for improving CLV and customer equity. Based on the observation of an NLII, Tamilnadu, India an appropriate test data is created and the same is used to demonstrate (a) the proposed model to predict CLV for NLII and (b) the proposed heuristic algorithm for efficient allocation of market-resources. The real life date of NLII required to test the proposed framework needs both primary data collection and secondary data collection and this is our immediate on-going work.

2 - Customer Lifetime Value and Churn Management:

A Triangulation Approach

Elen Lima, PhD Student, University of Southampton, School of Management, Highfield, Southampton, SO17 1BJ, United Kingdom, elenlima@soton.ac.uk, Bart Baesens, Christophe Mues

It is well known that some customers are more valuable than others. It is normally believed that long-lifetime customers are more profitable to a firm. The difficult part is determining how to distinguish the more profitable customers from the less profitable. Customer Lifetime Value represents the present value of the expected benefits less the costs of initialising, maintaining and developing the customer relationship. In understanding and managing Customer Lifetime Value, a company can more efficiently allocate resources to its customers, becoming better able

to focus on developing long-term customer relationships. Customer Lifetime Value can also work as a way to evaluate and measure the customer churn to the company. As the volume and availability of data is increasing, the use of data mining techniques is becoming more established to better and more accurately predict Customer Lifetime Value. A thorough review and discussion is presented on key aspects of Customer Lifetime Value and churn, for example, on how to operationalise Customer Lifetime Value and choose the appropriate time horizon and discount rate, and how churn can influence it and be predicted, exploring the use of data mining for the Customer Lifetime Value and churn evaluation and prediction. Additionally, the initial results from a survey will also be presented, in order to understand how these elements are valued and approached by companies. All this will give the foundation for an empirical research that will link and validate the connections between these elements.

3 - Defected Customers: When Is the Juice Worth the Squeeze? – An Empirical Investigation of Optimal Customer Win-back Strategy

Yacheng Sun, PhD Candidate, Kelley School of Business, Indiana University, Marketing Department, 1309 E. 10th St., BU 328X, Bloomington, IN, 47408, United States, yacsun@indiana.edu, Shibo Li, Baohong Sun

Today companies have realized the increasing importance of win-back strategies aimed at reviving abandoned relationship with customers. Other than scant research (e.g. Thomas and Blattberg 2004), there is a lack of knowledge and a great need for a consistent and empirically researched typology (Stauss and Frige 1999). Using a unique consumer panel data of subscription and usage history from an on-line movie rental firm, we investigate consumer decision calculus in the first and (saved) second lifetimes by estimating a customer response model with regime shift. We establish that (1) the root causes of defections are different - some are "worn-out" due to consumption saturation and some are "torn" due to unpleasant service experience; (2) drivers for successful win-back offers are different; (3) consumers demonstrate different purchase and consumption pattern during their first and second lifetime. To account for the differentiated customer reaction and its non-trivial implications, we approximate a firm's decision process using a stochastic dynamic optimization framework in which the firm follows the evolving consumption pattern of each consumer, updates its belief about the customers, and makes "proactive" win-back offers, all for the purpose of maximizing customer's long-term profit. Based on estimated consumer response parameters, we conduct simulations to demonstrate that, with built-in marketing intelligence and analytical decision making, our proposed methods improve on the firm's ad hoc rescuing plan by better differentiating high value from low value customers and taking preventative actions based on early signals showed by at-risk customers. Our study is the first to examine win-back plans using observed purchase and consumption history, with proposed win-back plans that demonstrate what a firm should do to identify "juicy" customers and "squeeze" most amount of values.

4 - The Elasticity of the Expected Transaction Value of Customers in Always-a-Share Markets

Matthias Loetzer, PhD-Student, Catholic University of Eichstätt, Auf der Schanz 49, Ingolstadt, 85049, Germany, matthias.loetzer@ku-eichstaett.de, Joachim Bueschken

In recent years, customer base analysis has moved into the focus of marketing theory. This focus is visible in the growing literature on how to model purchase behaviour and to forecast future transactions through stochastic models in markets where switching can occur anytime. Furthermore, existing models of lifetime value have been amended through models, where stochastic processes account for the probabilistic nature of purchase behaviour. Although most of these models implicitly assume an impact of marketing covariates on the transaction value, most stochastic models do not formulate explicit hypotheses accounting for the effect of marketing covariates on purchase behaviour and lifetime value respectively. Therefore, the objective of this paper is to analyze the effects of changes in marketing covariates on transaction- and lifetime value. The empirical tests are based on a data sample obtained from a German mail order firm. The BG/NBD serves as the basis to account for observable and unobservable heterogeneity in purchase rate and drop-out probability before marketing covariates are integrated through Poisson regression models into parameter estimation. In a first step, the influence of each marketing covariate will be tested separately on the elasticity of the purchase rate and drop-out probability; then, combinations of covariates will be tested in order to account for interaction effects on the elasticity of the purchase rate and the drop-out-probability. The results from the empirical analysis provide valuable insights into the driving forces of the elasticity of transaction value. In particular, the knowledge of covariates that directly impact the transaction value of customers are relevant information for firms aiming at maximizing customer profitability.

■ TD16

Seminar Room 3.10 (Room 3031)

Customer Satisfaction and Consumer Behavior I

Chair: Kyungae Park, Professor, Yeungnam University, School of Textiles, Gyeongsan, 712-749, South Korea, kpark@yumail.ac.kr

1 - Bridging the Gap Between Marketing Practices and Consumer Satisfaction

Erlinda Dionco-Adetayo, Obafemi Awolowo University, Osun State, West, Os, Nigeria, eadetayo@oauife.edu.ng, Joshua Adetayo, Biodun Areo, Pade Aderibigbe

by: Dionco-Adetayo, E.A., Areo, A.B., Adetayo, J.O. and Aderebigbe, P
This paper examined the application of the marketing concepts in selected financial service institutions in Nigeria with the view to determining the level of consumer satisfaction. Financial firms' and consumers' data that were collected through questionnaire were analyzed using descriptive and inferential statistics. The variables measuring the application of the marketing concepts and the perceived satisfaction of consumers on the bases of response (affect and cognition), focus of response, which is expectation, and time as a measure of consumption were measured using Likert scale. The results revealed that financial service institutions had sound marketing policies and strategies, which enshrined the marketing concepts. Although the marketing practices were significantly correlated with consumer satisfaction showing a linear dependence, they were not effectively implemented. This was indicated by low mean scores and high standard deviation by consumers' perception on satisfaction. Significantly, there exist a difference between the financial firms' and consumers' opinions as to marketing practices. The firms were of the opinion for impressive marketing efforts, while the consumers felt not satisfied. Consumer satisfaction was revealed at the low level in response and in focus of response explaining for low awareness and lack of knowledge about the services. The paper concludes that while financial service institutions had developed a well laid down marketing policies and of having impressive marketing performance, the consumers were disgusted to an extent on some marketing practices.

2 - The Power of Positive Mood: Investigating the Role of Affect on Customer Trust and Customer Loyalty

Alvin Yeo, University of Western Australia, Blk 102 Bukit Purmei Road, #08-54, Singapore, 090102, alvin_yeoyc@yahoo.com

Prior studies investigating the antecedents of customer loyalty often focus only on the direct effects of consumer trust and on the behavioral dimension of loyalty. Attitudinal components of loyalty, for example, are neglected. In addition, although conceptual articles proposing pre-consumption mood effects in service encounters are abundant, empirical research is scarce. This paper attempts to address these gaps by examining the role of positive affect, as the linking variable, in the chain of effects from customer trust to two aspects of loyalty - purchase loyalty and attitudinal loyalty. Specifically, using data obtained from customers of mobile phone service providers, we investigate the role of positive affect as a mediator and moderator of consumer trust on both purchase loyalty and attitudinal loyalty. The results support all hypothesized relationships. The authors conclude with a discussion on the managerial implications of these results.

3 - Post-Purchase Return Process: Perspectives from Consumer Experiences

Kyungae Park, Professor, Yeungnam University, School of Textiles, Gyeongsan, 712-749, South Korea, kpark@yumail.ac.kr

Though a return policy is a must have strategy for many retailers, there is a wide variety of the level of return services among retailers. Especially in the fast changing retail markets like Korea, retailers and consumers both are adapting themselves to growing return services. While consumer abuse and fraud in return are often reported, many consumers are still having difficulties in returning unwanted or failed products. This study examined consumer experiences in return process analyzing qualitative data collected from Korean consumers. The findings from an exploratory approach were quite interesting and insightful. The study could draw themes in reasons of returns, causes of satisfaction and dissatisfaction, in-store adaptive behaviors, and their effects. Consumers' external attribution, low expectations leading to satisfaction, and salespeople's typical attitude denying product failure in the return process were recognizable. Also, differences in consumer experiences by return type (exchanges versus refund) and retail format were observed. Some findings were culture-specific, but more could be generalized across culture. Propositions for future empirical research are provided, and a post-purchase return process model including purchase decision, post-purchase product evaluation, product satisfaction and dissatisfaction, return decision, interaction in post-purchase service encounter, return satisfaction and dissatisfaction, and future behavioral intention is proposed with past return experiences, expectations, retail return policy, attribution bias, and purchase and post-purchase situations.

Friday, 8:30 - 10:00am (Session FA)

■ FA01

Seminar Room 2.1 (Room 2001)

Meet the Editors II

Editors of leading journals for marketing academics will present their editorial policies and perspectives. The following editors are represented: Jagmohan S. Raju- Management Science, Steven M. Shugan- Marketing Science, Stefan Stremersch- International Journal of Research in Marketing, Joe Urbany & Randolph E. Bucklin- Marketing Letters.

■ FA02

Seminar Room 2.2 (Room 2002)

Consumer Cognition

Chair: Sharmila Chatterjee, Visiting Professor, MIT Sloan, 1 Amherst Street, E40-166A, Cambridge, MA, 02142, United States, schatterjee@mit.edu

1 - CAM: A Spreading Activation Network Model of Subcategory Positioning

Joseph Lajos, PhD Candidate, INSEAD, Boulevard de Constance, Fontainebleau, F77305, France, joseph.lajos@insead.edu, Zolt Katona, Amitava Chattopadhyay, Miklos Sarvary

Consumers often encounter new products, including hybrid products, which do not fit unambiguously into their existing mental categories. Previous research shows that when consumers encounter an innovative new product they decide whether or not to construct a new subcategory within their taxonomic category structure. However, if categorization uncertainty is high, such that the new product could conceivably be placed into more than one category, consumers must next determine where to position the new subcategory within the structure. We develop the Category Activation Model (CAM) to predict where within a category structure consumers will position a subcategory for an innovative new product. We assume that when a category is accessed, some of the resulting activation remains with the category, and the rest spreads through the entire network. We also assume that when a category is more activated, the probability that a new subcategory will be positioned under it is increased. By accurately describing the process by which activation spreads through the network, we are thus able to predict the probability that a new subcategory will be positioned at any given location. Our key theoretical finding is that the position of a new subcategory is strongly influenced by the number of subcategories that are already connected to each category within the structure. In study 1, we experimentally test the CAM in a new product context. In study 2, we analyze category structures that lab participants generated for 100 existing products. In study 3, we show that the structure of directory trees created by more than 1600 computer users conform to the CAM's predictions, thereby demonstrating that its predictive ability extends beyond the product context.

2 - Consumer Evaluation of Convergent High-Technology Products

Tripat Gill, Assistant Professor, University of Ontario Institute of Technology (UOIT), Faculty of Business and IT, 2000 Simcoe Street North, Oshawa, ON, L1H7K4, Canada, tripat.gill@uoit.ca

Convergence in the electronics and telecommunications industry has allowed for the introduction of new functionalities into existing high-tech products, which are referred to as convergent high-tech products (CHPs) (e.g., CellPhones with mobile TV; PDA Phones; etc.). While existing literature in Marketing has investigated the effect of adding features on the evaluation of new products, there is scant research on products that combine two distinct functionalities (as in CHPs). The current research seeks to fill this lacuna and investigates the effect of two factors - goal-congruence and prior ownership - on the evaluation of CHPs. It is proposed that CHPs that combine functionalities with congruent / similar goals (e.g., a PDA with maps / location information, both associated with the goal of "information") would be evaluated more favorably by non-owners as compared to owners of the base product (i.e., owners of PDAs). On the other hand, CHPs that combine incongruent / different goals (e.g., a PDA with mobile TV, associated with different goals of information and entertainment, respectively) would be favored more by owners than by non-owners. These effects of prior ownership occur both due to the differences in knowledge between owners and non-owners, and due to the changed reference

frame due to ownership of the base product. These propositions were first tested and verified in two experimental studies among a sample of undergraduate students. The findings were then replicated in a national survey among a representative sample of the target market for high-tech products. These findings indicate that existing owners of the base product are more willing to adopt CHPs with disparate functionalities as compared to the non-owners of that particular base high-tech product.

3 - Consumers' Mental Maps of Diseases: The Cognitive Mechanisms of the Health Communication Impact

Yanliu Huang, Marketing Department, Wharton School, 700 Jon M. Huntsman Hall, 3730 Walnut St, University of Pennsylvania, Philadelphia, PA, 19104, United States, yanliuh@wharton.upenn.edu, Barbara Kahn

Past research on the persuasive effect of health communication on attitudes and behavior has not explored how people's internal cognitive knowledge structures (i.e., their mental maps) are affected by different health communication messages, and how these changed mental maps, in turn, lead to corresponding attitude and behavior changes. The current research is conducted to fill this gap. Our first attempt focuses on an interaction effect between the type of disease (either familiar or unfamiliar) highlighted in a STD poster and the number of such exemplar diseases enumerated. Previous literature demonstrates that higher number of frequent risk behaviors enumerated increases people's self-risk estimates. Combining this literature with the one suggesting that familiarity is associated with improved persuasion and liking, we predict that higher number of familiar diseases enumerated in a poster should lead to higher risk estimates. Furthermore, we predict a two-way interaction where higher number of enumerated diseases lead to higher self-risk estimates only if they match the type of highlighted disease. This is because under these circumstances, more important associations are activated in people's mental maps of STD, and these "strengthened" associations will lead to corresponding attitudes and behavior changes. A 2 (familiar or unfamiliar STD) x 2 (number of highlighted diseases: high or low) experiment was designed to test our hypotheses. We also collected participants' STD mental maps. Results show the interaction effect that we predicted. Importantly, this effect is also reflected in participants' STD mental maps as fewer positive concepts and more strong links are associated with the higher number of highlighted disease enumerated in the poster.

4 - Cognitive Ethnicity Among U.S. Hispanics: The Emergence of a New Paradigm?

Sharmila Chatterjee, Visiting Professor, MIT Sloan, 1 Amherst Street, E40-166A, Cambridge, MA, 02142, United States, schatterjee@mit.edu, Jacob Beniflah

The prevailing view among corporations and Hispanic advertising agencies is that Spanish is the "best" way to market to Hispanics. This paper contends that this is an oversimplification. The study focuses on two theories of bilingual memory that help examine the cognitive structure of the U.S. Hispanic population. In this paper, cognitive structure refers to a mental framework (or schema) that organizes and retains learned facts. This study is expected to show that the cognitive structure of U.S. Hispanics change due to the effects of acculturation. Specifically, this study proposes that because high-acculturated Hispanics tend to be English-dominant, they are likely to have an English-dominant cognitive structure. On the other hand, because low-acculturated Hispanics are Spanish-dominant, they are likely to show a cognitive preference for Spanish. Lastly, bilingual or moderately-acculturated Hispanics are the most interesting segment of all, potentially showing dual cognitive structures, since they are fluent in two languages. These marked differences across the three levels of acculturation may give rise to "cognitive ethnicity," the notion that the cognitive structure is characterized by a specific cultural identity (e.g., Hispanic, Hispanic-American or American) that may change with the level of acculturation. This may be the long-awaited study that questions the way marketers have conceptualized the U.S. Hispanic segment. This study utilizes acculturation-based segmentation applying the Bidimensional Acculturation Scale (BAS), a highly reliable and valid scale, which has the potential to fundamentally change today's marketing strategy toward U.S. Hispanics, suggesting that Spanish may not be the only language that effectively targets the U.S. Hispanic population.

■ FA03

Seminar Room 2.3 (Room 2004)

Diffusion of Interrelated Innovation

Chair: Joep Arts, Assistant Professor, Vrije Universiteit, De Boelelaan 1105, Room 2E-17, Amsterdam, NH, 1081 HV, Netherlands, jarts@feweb.vu.nl

1 - A New Multivariate Product Growth Model

Philip Hans Franses, Erasmus University Rotterdam, P.O.Box 1738, Rotterdam, ZH, Netherlands, franses@few.eur.nl, Peter Boswijk, Dennis Fok

To examine cross-country diffusion, marketing researchers need a multivariate product growth model. We put forward such a model, and show that it is a natural extension of the original Bass (1969) model. We contrast our model with extant multivariate models and we show that inference and interpretation are much easier and more relevant. Moreover, parameter estimation can be done using standard software. We illustrate the benefits of our model relative to other models in simulation experiments. An application to a three-country CD sales series shows the merits of our model in practice.

2 - Direct Substitutes and Indirect Complements in Durable Goods Market: Evidence from Digital Cameras

Liyuan Wei, City University of Hong Kong, 83 Tat Chee Avenue, Kowloon, Hong Kong - ROC, liyuan.wei@cityu.edu.hk, Junji Xiao

The adoption of a new high technology durable product such as digital cameras is investigated in this paper. Are digital cameras the substitute for film-based cameras? What are the factors that may have contributed to the decline of film-based cameras and the rise of digital ones at the same time other than prices? We estimate an empirical model of camera shipments to answer these questions. By distinguishing two categories of film-based cameras: the high-end SLR and the low-end lens shutter cameras, we found that, in the first few years when digital cameras were gradually becoming a mass market product, this category mainly acted as a substitute for the low-end lens shutter cameras. Interestingly, digital cameras were complements for the higher-end SLR cameras. We were also able to identify factors that have contributed to the decline of film cameras and the rise of digital ones during the same period of time. In particular, our estimation results suggest that indirect network externalities such as Windows XP adoption and PC household ownership played important roles in the adoption of digital imaging devices.

3 - Modeling Dynamic Co-diffusion Processes of Seemingly Unrelated Innovations

Kaz Takada, Baruch College, One Bernard Baruch Way, New York, NY, 10010, United States, hirokazu_takada@baruch.cuny.edu, Kaich Saito

We present a model to capture dynamic diffusion processes of two information technology (IT) products and/or services. As these products are capable of performing similar functions in different situations, some consumers may adopt only one of these, others may adopt both. Our proposed model attempts to capture such diffusion processes of the products by segmenting consumers based on possible adoption patterns. Our modeling premise is quite different from the successive generation modeling in that our model does not presume that the later introduced product is technologically more advanced and therefore attractive than the earlier introduced product. One of the major benefits of our proposed model is that sizes of various market segments of adopters for each product are identifiable through empirical analysis. The empirical analysis using data on Internet users via PC and cellular phone in the U.S. and Japan shows that the proposed model fits better to these data than the independent model which does not consider the interaction of two products.

4 - The Dual Effects of Price on the International Takeoff of New Products

Joep Arts, Assistant Professor, Vrije Universiteit, De Boelelaan 1105, Room 2E-17, Amsterdam, NH, 1081 HV, Netherlands, jarts@feweb.vu.nl, Ruud Frambach, Gerard Tellis

International takeoff of new products is a vital event in the product life cycle. It is the first clear indication of wide international market acceptance. However, prior studies on international takeoff did not consider the influence of pricing. Consequently, relatively little is known about the influence of price on takeoff across countries and categories, and how the influence of price compares to that of economics and culture? Furthermore, prior studies focus on annual data, whereas little is known about how the concept of takeoff holds in bi-monthly data. This paper models takeoff across 8 new product categories in 8 countries using bi-

monthly data and models the effects of price and price patterns. Results show takeoff is clearly visible in our data. Furthermore, price elasticity tends to be strong and outweighs the effects of country characteristics. In addition, price elasticity varies substantially across countries and products. Results indicate that price volatility may increase time to take-off.

■ FA04

Seminar Room 2.4 (Room 2005)

Decision Research V - Numbers and Prices

Chair: Leonard Lee, Assistant Professor, Columbia Business School, Uris Hall, 3022 Broadway, Room 508, New York, NY, 10027, United States, ll2399@columbia.edu

1 - The Effect of Regulatory Focus on the Anchoring Bias

Rongrong Zhou, Assistant Professor, Hong Kong University of Science and Technology, Clear Water Bay, Kowloon, Hong Kong, mkrrzhou@ust.hk, Shenghui Zhao

Consumers' numerical judgments (e.g., willingness-to-pay) are often influenced by irrelevant anchor values provided by marketers. Little extant research has investigated the moderating role of motivation or personality traits. Drawing on the literatures on anchoring and regulatory focus, we hypothesize that prevention focus leads to a more pronounced anchoring effect, compared to promotion focus. This hypothesis is based on the finding that prevention focus fosters a more vigilant and focused processing style, which tends to greatly increase the accessibility of anchor-consistent information. In contrast, promotion focus encourages a more explorative and inclusive processing style, which increases the accessibility of anchor-inconsistent information. In two experiments, participants were primed with either promotion or prevention focus and then made numerical judgments to general knowledge questions with either high or low anchor values. The data provided strong support for our hypothesis. Specifically, answers from participants who were primed with prevention focus (vis-à-vis those primed with promotion focus) were closer to their anchor values. Moreover, protocol data from study 2 provided further support by showing that the effect of regulatory focus was mediated by the relative proportion of anchor-consistent vs. -inconsistent thoughts. These results suggest that the effectiveness of anchoring-inspired marketing practices (e.g., displaying MSRP) is likely to vary depending on the regulatory focus of the customer. These results also have implications for cross-cultural marketing since Asian cultures are generally more prevention-focused than their western counterparts (e.g., American).

2 - When Numbers Are Talking: Effects of Message Framing on Judgments of Risk and Behavioral Intentions

Nevena Koukova, Assistant Professor of Marketing, College of Business & Economics, Lehigh University, 621 Taylor Street, Bethlehem, PA, 18015, United States, nkoukova@lehigh.edu, Joydeep Srivastava

In this paper we focus on the fact that consumers' judgments of risks may be highly susceptible to numerically framing of the "impact" information. Specifically, numerical framing may cause decision makers to respond differently to objectively equivalent descriptions of a problem (e.g., communicating the possibility that a computer will require repairs using relative frequency [1 out of 20] vs. probability [5%]). Building upon the cognitive-experiential self-theory (Epstein 1990) and the affect as information model (Schwarz and Clore 1983), we show that under negative (positive) attribute framing consumers are more likely (equally likely) to engage in risk-reducing behaviors under relative frequency as compared to percentage numerical framing, and this effect is mediated by perceived risk. We outline boundary conditions for the differential effect of numerical framing, and suggest how this effect can be minimized. We also relate the risk perceptions to behaviors relevant to policy makers and marketers (e.g., importance of a warranty and likelihood to buy a warranty). From a practical point of view, our study suggests how risk communications can be made more effective and instrumental in promoting positive and reducing negative consumer behaviors and outcomes. Specifically, consumers may be encouraged to engage in risk-reducing behaviors (e.g., breast self-examination, AIDS preventive behaviors) by using negative relative frequency framing in risk communications. Further, consumers may be made aware of framing techniques that marketers use to increase the likelihood of purchasing unnecessary products or services, and be educated on how to avoid access spending (e.g., buying insurance, gambling).

3 - Money Muddles Thinking: The Effects of Price Considerations on Preference Consistency

Leonard Lee, Assistant Professor, Columbia Business School, Uris Hall, 3022 Broadway, Room 508, New York, NY, 10027, United States, ll2399@columbia.edu, Marco Bertini, Dan Ariely

The history of money is a story thousands of years old. Many early instances of money such as cowrie shells, spices, and even whale's teeth were objects useful for their intrinsic value. Fiat or legal tender money, however, is a relatively modern invention designed to facilitate trade by acting as a medium of exchange, a store of value, and a unit of account. Despite the antiquity and ubiquity of money, surprisingly little is known about its influence on everyday purchase decisions. In this research, we seek to examine the fundamental question of whether the mere consideration of money makes the act of choosing easier or more difficult. In particular, we argue that the hedonic representation of money in the minds of consumers is ill-defined and that preference judgments involving money are consequently more difficult to carry out. To test this hypothesis, we investigated in a series of four online experiments whether the availability of price information for a set of ten differentiated products (t-shirts) affects the consistency of sequential choices in pair-wise comparisons. To measure preference consistency, we computed the number of transitivity violations across experimental conditions. Across the experiments, we consistently found that when consumers consider prices in their decision making, their preferences are more intransitive. The results demonstrate that it is the active consideration of prices during decision making, not the availability of price information per se, which contributes to the lower degree of consistency. The results also suggest that although participants are more inconsistent in their choices when they think about prices, they are ironically more confident in their decisions.

FA05

Seminar Room 2.5 (Room 2012)

Emerging Issues in e-Markets

Chair: Arun Sundararajan, NYU, 44 West 4th Street, New York, NY, 1012, arun@stern.nyu.edu

1 - Are Digital Rights Valuable? Theory and Evidence from eBook Pricing

Arun Sundararajan, NYU, 44 West 4th Street, New York, NY, 10012, United States, arun@stern.nyu.edu, Gal Oestreicher-Singer

The effective management of digital rights is the central challenge in many industries making the transition from physical to digital products. We present a model that characterizes the value of these digital rights when products are sold both embedded in tangible physical artifacts, and as pure digital goods, and when granting rights may affect the extent of digital piracy. We show that in the absence of piracy, digital rights should be unrestricted - a seller can use its pricing strategy to balance sales between physical and digital goods. However, the threat of piracy limits the extent to which digital rights should be granted: the value of digital rights is determined not only by their direct effect on the quality of legal digital goods, but by a differential piracy effect. When the latter effect is sufficiently high, granting digital rights can have a detrimental effect on value — our model indicates that this kind of effect is more likely to be observed for digital rights that aim to replicate the consumption experience of physical goods, rather than enhancing a customer's digital experience. Using data from the ebook industry, we show that four separate digital rights each have an economically significant impact on prices, and establishing that the digital rights which aim to replicate physical consumption while increasing the threat of piracy are the ones that have negative impact on seller value. We also show that if the pricing of a digital good is keyed off that of an existing tangible good, optimal pricing changes for the former should be more nuanced, rather than simply mirroring changes in the price of the latter, and we discuss the effect of the technological sophistication of potential customers on optimal pricing and rights management.

2 - How a Faster Internet Changes E-marketing

Anupama Ramachandran, PhD Student, University of Maryland, Robert H. Smith School of Business, 4459 Van Munching Hall, College Park, MD, 20742, United States, aramacha@rhsmith.umd.edu, Roland Rust, P.K. Kannan

Internet speeds are rapidly increasing and more and more individuals have access to these faster speeds. Our paper studies the impact of connection speed differences on e-marketing. We propose, analytically prove and empirically validate propositions dealing with consumer consideration set size, consumer purchase likelihood and website popularity. Our results show that consumers with higher connection speeds have larger consideration sets and decreased purchase probabilities at any given website. Consumers with higher connection speeds tend to visit both popular websites as well as less popular websites. On the other

hand, consumers with lower connection speeds tend to confine their visits to more popular websites. The study reveals the importance of segmenting consumers based on their connection speeds. Our research shows that high-speed subscribers have larger consideration sets, because it is quicker and easier for these subscribers to visit additional websites. Therefore, as connection speeds inexorably increase, the need to make websites "stickier" increases. Increases in connection speeds also lead to increased competition among websites because, 1) increases in connection speeds lead to larger individual consideration sets and lower purchase probability at any given website and, 2) individuals tend to visit more websites, and thus the gap in the visits received by popular websites relative to less popular websites tends to shrink. Both these factors intensify competition among sites and present a competitive threat to popular websites. On the other hand, increases in connection speeds present an increased chance of survival for more niche websites, and with continuing increases in connection speeds even more niche websites will become viable.

3 - Connectivity and Interconnectivity: When Value Creation May Hurt a Company

Tingting He, PhD Student, Washington University in St. Louis, Campus Box 1133, PhD Office, Saint Louis, MO, 63130, United States, het@olin.wustl.edu, Dmitri Kuksov, Chakravarthi Narasimhan

We analyze the decisions of firms to provide connectivity and interconnectivity to their customers. Connectivity is the ability of customers to connect to other customers of the same firm, while interconnectivity is the ability of customers of one firm to connect with customers of the other firm(s). One or both of these possibilities are potentially present in product categories such as membership clubs, Internet instant messaging services (e.g. MSN and Yahoo messengers, Google chat), computer games, etc. It is often the decision of the product provider (e.g., a computer game developer) how easy, if at all possible, it is for the users to connect to each other. While both connectivity and inter-connectivity provide value to consumers, the implication of these decisions for the firm's profitability is much less straightforward, because connectivity and inter-connectivity affect competitive level through creating or changing network externality. Our research explains the optimal firm strategies in providing connectivity and interconnectivity. The main results are that (1) providing connectivity, while increasing consumer value, may decrease profits even if it is not costly for the firm, while (2) providing interconnectivity generally increases profits even more than it does social welfare. These results may help to explain why in some industries, connectivity and/or interconnectivity are widespread, while in some other industries, connectivity and/or interconnectivity are scarce, and offer managerial guidance with respect to the optimal choice of connectivity strategy.

4 - Construction of Consumer Behavior in a Virtual Space with Increasing Levels of Commercial Presence

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Numerous types of virtual social spaces have emerged as popular meeting venues online. The growth of YouTube.com and social network spaces, like MySpace.com and SecondLife, are part of a trend that consumers seek to partake in communities with increasingly real virtual simulations of actual social environments. These settings are often heavily immersed in consumption and identity through consumption. Within this context, products take on social meaning and are mostly wrapped in the excuse of self-expression within these virtual social spaces. What constitutes marketing relevant behavior in these social spaces and how commercial presence interacts with these behaviors are dominant issues for consumer behavior in the future, as this is where consumers will increasingly act out their lives. This proposal focuses on the creation of a live video virtual social space where users can freely enter and utilize the space. Presently, there is no existing theory that addresses the behavior of consumers within such a space. Through experiment and the application of the qualitative method of grounded theory, the results of marketing related consumer behavior include: G1) Insights into the consumer behavior within a non-commercial space via a model with predictive power; 2) Description of the effects of differing types of commercialization within that space through a series of experiments that include increasingly intrusive levels of commercial marketing messages into the virtual social space; 3) By comparing the behaviors within non-commercial and commercial space, marketers can uncover productive activities that benefit the marketer but leave the social desires of the consumers undamaged. These issues have not been completely discussed so far.

■ FA06

Seminar Room 2.6 (Room 2013)

Competition

Chair: Trichy V. Krishnan, Associate Professor, NUS Business School, Department of Marketing, 1 Business Link, National University of Singapore, SI, 117592, krishnan@nus.edu.sg .

1 - Retail Format Competition: Co-location and Competition Effects in Location Choice

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The arrival of firms such as Wal-Mart and Target into grocery retailing through their super-center format has led to increased competition in the grocery industry. In making their entry decisions into a local market, firms have to assess their potential profits. In this paper, we estimate a structural model of both entry and location choice by retailers competing on different formats. We allow for competition to be asymmetric across formats and allow competition between stores to be a function of their geographic distance. However a key challenge in estimation is that stores may co-locate close to each other despite the increased competition because of (a) the mall effect, i.e., the presence of multiple stores make the overall location attractive and (b) spillovers across rival formats i.e., a location with an EDLP store and Hi-Lo Store may be more attractive to the customer, than just one type of format. Our key findings are as follows: (1) Intra-format competition affects profitability roughly twice as much as inter-format competition; (2) The competitive effects decrease dramatically with distance; (3) There is evidence of the mall effect; i.e., positive externalities from co-location; (4) There is evidence of spillovers across formats, i.e., the positive externality is greater if the rival has a different format and (5) Not modeling the co-location externalities significantly biases the competition effect downwards. Our policy simulations highlight the importance of both format asymmetries and co-location externalities in firms' entry and location decisions.

2 - Does Acquisitive Entry Help or Hurt Competitors? Toward A More Detailed View

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For years, managers, researchers, and policy makers have raised concerns about the extent to which acquisitive entry by large firms lowers competition in markets, and leads to unserved consumer segments. These concerns are fueled by a lack of research on the impact of acquisitive entry into a market on incumbent firms in the market. We know little about how incumbent firms change their customer targeting strategy following an acquisition, and even less about the performance consequences of their actions. A stumbling block for research in this area has been the limited availability of large scale, objective data at the market level. As such, research and policy analysis so far has been based on analytical models, simulations, individual case studies, or aggregate studies using data on a limited number of firms. Our research seeks to go beyond these approaches by examining the impact of acquisitive entry across a large number of firms and consumer markets over time. We use data on 3296 acquisitions in the US consumer banking industry, from 784 Metropolitan Statistical Areas over a period of 10 years. We find that the impact of acquisitive entry by large firms is neither straightforward nor equally distributed across incumbent firms in a market. Some incumbent firms are hurt by such entry, but others actually thrive as a result of such entry. Further, we find that these performance differences depend crucially on the customer targeting decisions made by incumbent firms in response to acquisitive entry.

3 - Is Decentralization Really Better than Vertical Integration for Low Differentiated Goods?: A Comment on McGuire Staelin (1983) Paper

Trichy V. Krishnan, Associate Professor, NUS Business School, Department of Marketing, 1 Business Link, National University of Singapore, Singapore, SI, 117592, krishnan@nus.edu.sg, Jiang Zhiying

In their seminal paper on vertical integration, McGuire and Staelin proposed a simple linear model and showed that in a duopoly market, when the brands become less differentiated, the manufacturers would find it more profitable to sell their products through their exclusive retailers in stead of vertically integrating and selling directly to the end consumer. This is a queer result because it is not clear how exactly having a retailer in between helps the firms raise more profits. In fact, in a single manufacturer-retailer model (i.e. a monopoly at each level), the double marginalization leads to less profits for a manufacturer who uses a retailer (if we allow the manufacturer to charge only a per-unit

wholesale price). In our research we show that a peculiar characteristic of the demand function used in the McGuire and Staelin paper leads to their result. We present a modified version of their model and show that when products are less differentiated the firms could indeed prefer vertical integration.

■ FA07

Seminar Room 2.7 (Room 2014)

Marketing Metrics II

Chair: Mario Rese, Prof. Dr., Ruhr-University Bochum, Chair of Marketing, Universitaetsstrasse 150, Bochum, 44780, Germany, mario.rese@rub.de

1 - Decoupling the Dirichlet Alpha from Market Share: Brand Equity and Double Jeopardy?

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The Dirichlet (Goodhardt, Ehrenberg and Chatfield 1984) is a well established model of buyer behaviour that has seen broad application across many product categories for the last 30 years. Given relatively few inputs, the Dirichlet gives robust estimates for a broad range of marketing metrics for brands competing in a product category. This strength, however, appears to come at the cost of a limitation in perspective. Under the Dirichlet model, the market share of a brand is considered equal to the brand's alpha parameter divided by the sum of all the brands' alphas. The sum of all the brand's alphas is also known as the category S parameter. Traditionally the S parameter is estimated first, characterizing each brand's alpha as the product of S and brand j's market share. The calculation of the brand's entire set of behavioral metrics then comes as some combination of the brand's alpha and the category S. The higher the alpha the stronger the brand looks. An alternative perspective is that the alpha parameters are shape parameters within the Dirichlet Multinomial Distribution. As such, these alpha parameters can be estimated using maximum likelihood estimation (Rungie 2003). This subtle change in perspective has the potential to change many things. With a brand's alpha estimated independently it may be too simplistic to invoke the primacy of market share (Ehrenberg, Goodhardt and Barwise 1990) to debunk the concept of brand equity. Market share is now another metric for which a model estimate can be calculated, not the determinant of all other metrics. Decoupling the brand alpha also allows for other Dirichlet applications such as growth analysis and DMD regression which have hitherto not been possible.

2 - The Impact of Advertising Effectiveness: Stock Analysts' Forecasts vs. Stock Market Results

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Showing the financial accountability of marketing expenditure is a major concern for marketing managers. Responding to this concern, marketing scholars have recently begun to study how marketing is linked to the financial value of a firm. In this article, we extend the existing literature in order to show that improvement in advertising effectiveness generates financial value for a firm and that that additional value isn't reflected in analysts' forecasts. The paper begins by introducing a measure of the change of advertising effectiveness, which has been used, though with a different interpretation, in the academic accounting literature to understand the drivers of firm value. We show that increases in advertising effectiveness increase the cumulative abnormal stock returns (CAR, returns in excess of those required by an asset pricing model), after accounting for the accounting and finance variables known to affect the CAR. Finally, we show that the change of advertising effectiveness is not related to analysts forecasts, but it is related to the errors in analysts forecasts. We thus provide evidence that financial analysts, who guide investment decisions, ignore information about changes in a firm's advertising effectiveness despite the fact that these changes are impounded in that firm's stock price. This paper joins a growing literature that demonstrates a link between marketing and financial value of a firm.

3 - Measuring Marketing Success from a Value-Based Perspective

Mario Rese, Prof. Dr., Ruhr-University Bochum, Chair of Marketing, Universitaetsstrasse 150, Bochum, 44780, Germany, mario.rese@rub.de, Valerie Herter

How much does marketing really contribute to the company's success? The measurement of "marketing success" is often limited to figures like changes in customer satisfaction, customer retention or brand value. However, we can only rely on these non-financial marketing assets if we believe in their positive influence on financial performance, i.e. shareholder value. Otherwise, the company would not act in a value

oriented way. Therefore, empirical evidence regarding economic consequences of marketing assets has to be provided. The few empirical studies focusing on this topic are characterized by two main deficits: On the conceptual side, existing studies do not reveal the whole set of relevant influences of marketing assets on the different shareholder value drivers (e.g. capital costs). On the methodological side, the regression analysis employed only focuses on correlations and fixed, subjectively determined time gaps between marketing assets and financial performance. Instead, causalities and unknown lengths of time gaps between these variables should be detected. Our goal is to present a method to investigate the influences of marketing assets on the value-based performance drivers. We therefore use the VAR-model to identify causalities and the unknown time gaps between the changes of marketing assets and financial performance. These gaps are being determined by the VAR-concept itself. Many companies have already been surveying marketing assets for several years and also calculate their financial performance measures for accounting purposes. Thus, our measuring instrument is applicable to any company's data. In the paper, we exemplify our tool using data of Mercedes-Benz.

■ FA08

Seminar Room 2.8 (Room 2015)

Multiple Channels

Chair: Martin Boehm, Assistant Professor, Instituto de Empresa, Serrano 105, Madrid, 28006, Spain, martin.boehm@ie.edu

1 - Identifying Multi-Channel Shopper Segments and Their Antecedents

Umut Konus, PhD, University of Groningen, RuG Faculty of Economics, Dierenriemstraat 100, Groningen, 9742AK, Netherlands, u.konus@rug.nl, Peter C. Verhoef, Scott Neslin

In recent years, the proliferation of channels created new challenges for research. One of those core challenges for academics is a thorough understanding of customer behavior in a multi-channel environment. Managers should understand how customers choose among multiple channels and what impact that choice has on their overall buying patterns (Neslin et al, 2006). While there is an extensive research stream on determinants of channel choice, there are only a few studies, which investigate (a) the existence of multi-channel customer segments and (b) antecedents of multi-channel behavior. There is particularly a lack of research considering multi-channel behavior during of all phases of the buying process. In this study we aim: (1) to segment customers based on their multi-channel orientation in the search-, purchase, and after-sales phase of their shopping process, (2) to investigate the effect of psychological, economic, and socio-demographic variables on this multi-channel segmentation; and (3) to explore how multi-channel behavior might differ across different product categories. We employed data of approximately 360 Dutch customers and analyzed their channel orientation in different phases of the buying process for 7 product categories. Using Latent-Class analysis we find empirical evidence for four segments: (a) multi-alternative channel shoppers, (b) research shoppers, (c) multi-channel segment, and (d) store oriented segment. We show that shopping enjoyment, loyalty, and innovativeness determine this segmentation. If segment on the product level, we find similar segments across all 7 product categories. However, the effects of the considered antecedents on the segmentation differ among product categories.

2 - Optimal Channel Introduction Strategies by Incorporating Volatility in the Decision Basis

Jens Keller, Research Associate, University of St. Gallen, Dufourstrasse 40a, St. Gallen, 9000, Switzerland, Jens.Keller@unisg.ch, Matthias Schulten, Marcus Schoegel, Sven Reinecke

Decisions on channel portfolios can be seen as related real options. This paper develops a framework for channel introduction decisions by also incorporating interaction effects between the new channel and existing channels. Using a portfolio matrix consisting of the dimensions net present value and volatility, channels can be assessed as investment objects. While the net present value refers to the underlying asset value of the channel, the volatility measure quantifies the contingencies of the dynamic environment. By referring to option pricing models it can be shown that both dimensions are central determinants for channel introduction decisions. Once all the channel options are positioned within the portfolio, influences on each other can be analyzed. In the same way, the option of introducing a new channel and how this option affects the other channels is getting ascertained. Over time options develop differently, they change their position and also influence the path the other options follow. By calculating feasible scenarios, this framework gives a good guideline for channel investment strategies. Thus it helps managers to understand the likelihood of the portfolio ending up somewhere in the future.

3 - Evaluating Customer Channel Migration Activities

Martin Boehm, Assistant Professor, Instituto de Empresa, Serrano 105, Madrid, 28006, Spain, martin.boehm@ie.edu, Sonja Gensler

Firms increasingly aim to migrate customers to their non-store distribution channels such as the internet with the aim of reducing distribution costs. But customer migration is only advisable as long as the potential cost reductions exceed the investment necessary for migration activities. In order to make a sound decision on whether or not to implement certain migration activities, it is therefore fundamentally important to determine their potential cost reductions and the investment required. For that reason, it is the aim of this presentation to develop a decision support tool that quantifies the monetary implications of customer channel migration activities. In the first instance, evaluating customer channel migration activities requires understanding customer's channel choice behavior. We assume that a customer's channel choice is influenced by several factors. We identify those factors and estimate the proposed model using survey data. We demonstrate that considering different stages of the customer buying process is crucial to adequately model the customer channel choice behavior. By considering heterogeneity we identify segments that differ in their current channel usage behavior and their evaluation of the channel characteristics. In the next step we develop a decision support tool for evaluating customer channel migration activities. The tool is based on the elicited customer channel choice behavior and we contrast the costs of customer channel migration activities with the increase in customer profitability based on changed customer channel choice behavior.

■ FA09

Seminar Room 3.1 (Room 3001)

Multiple Category Choice

Chair: Kyuseop Kwak, University of Technology Sydney, PO Box 123, Broadway NS 2007, Sydney, Australia, kirk248@yahoo.com

1 - A Generalized Continuous Hedonic Model with an Application to Multiple-Category Purchases

Yu Ma, University of Alberta, Business 4-30G, Edmonton, AB, T6G2R6, Canada, yu.ma@ualberta.ca, Tat Chan

To study the multiple-product, multiple-unit purchasing behavior, Chan (2006) proposes a continuous hedonic model in which consumption is defined as an activity producing "characteristics" from products. The embedded characteristics approach in the model permits flexible substitution patterns among products, even when they are in different categories. This approach also helps reduce the dimensionality problems in model estimation, especially when dealing with a large number of products and categories. However, the methodology cannot be applied when there are important product characteristics to researchers or that the characteristic levels in each product are unknown. In this research we develop a generalized continuous hedonic model which allows us to estimate from the data the unobserved product characteristics existing among products. Similar to the factor analysis, our approach helps in exploring the unobserved underlying factors which determine the consumer choice. We apply our model to study basket shopping behavior from a scanner panel data. The dimensionality of the problem is very large since it involves choices over multiple categories and within each category multiple products and multiple units. Further, there may be some common characteristics across categories that are not directly observable (e.g. tastes of a dinner). Our approach is to first reduce the category-product-unit dimensions to a few product characteristics, either observed or unobserved, that are important in the purchasing decisions. Then we evaluate how consumers make purchasing decisions in order to achieve an optimal bundle of these characteristics under budget constraints. We are able to infer and quantify a rich substitution and even complementarity pattern across product categories.

2 - A Latent Class Multivariate Logistic Model For Multiple Product Choice

Gary Russell, Henry B. Tippie Research Professor, University of Iowa, 108 PBB, Department of Marketing, Henry B. Tippie College of Business, Iowa City, IA, 52242, United States, gary-j-russell@uiowa.edu, Anand Bodapati

Consumers often select several products on the same shopping occasion. One approach for representing multiple product buying decisions is the multivariate logistic model (MVL), a choice model which assumes that product selections are interrelated due to substitution and complementarity effects. Although the MVL model has many attractive theoretical features, the model is difficult to calibrate, particularly when the number of items in the bundle is large and when consumers differ in response parameters. This research addresses both these issues by developing a latent class MVL model based upon two interrelated ideas: analytical approximation of intractable normalizing constants and projection of model parameters into a reduced dimensional space. The result is an

MVL model that allows for two types of heterogeneity (structural and response-based) with respect to a realistically large SKU choice set. We apply the methodology to consumer purchase histories in the yogurt product category. In this category, consumers buy a bundle of items differing by brand name (Dannon, Yoplait etc.), product form (smooth, whipped etc.) and flavor (vanilla, blueberry etc.). Because it is difficult to specify the demand relationships among items a priori, we rely upon the MVL model to construct a general representation of bundle choice. Implications for pricing policy and retail marketing strategy are discussed.

3 - Multiclass Choice Modeling with Large Feature Spaces: Random Multinomial Logit

Anita Prinzie, Dr, Ghent University, Faculty of Economics and Business Admin., Tweekerkenstraat 2, Gent, 9000, Belgium, anita.prinzie@UGent.be, Dirk Van den Poel

Within multiclass choice modeling, Random Utility (RU) models like MultiNomial Logit (MNL) are well-established. Unfortunately, RU models are vulnerable to multicollinearity and consequently not well-suited for modeling the choice of instances characterized by many features as in analytical Customer Relationship Management (aCRM) applications. Hence, the aCRM analyst is forced to immerse himself into feature selection. In sharp contrast with binary logit, current software packages lack any feature selection algorithm for MNL. Conversely, Random Forests (RFs) is just like MNL robust but unlike MNL it easily handles high-dimensional potentially correlated input spaces (Breiman, 2001). We investigate the potential of applying the RFs' principles to MNL to allow for choice modeling given large feature spaces. We hypothesize that MNL might benefit from RFs' principles in two ways. Firstly, applying RFs' random-features selection to MNL allows for modeling the choice of instances characterized by many features by reducing the overall multicollinearity. Secondly, adopting RFs' bagging principle to MNL should further improve its predictive performance, as an ensemble typically improves accuracy. Furthermore, bagging enhances robustness. This paper proposes Random MultiNomial Logit (RMNL) as a new bagged classifier combining a forest of MNLs estimated with randomly selected features out of a large feature space. We illustrate RMNL by building a multiclass choice model to support cross-sell actions of a retailer. The results confirm MNL's curse of dimensionality. RMNL substantially outperforms MNL with expert feature selection. Moreover, just like RF, RMNL provides a list of feature importances providing insights in which features matter in predicting customer choice behavior.

4 - Cross-Category Spillover Effects of Reference Price

Kyuseop Kwak, University of Technology Sydney, PO Box 123, Broadway NS 2007, Sydney, Australia, kirk248@yahoo.com, Sri Devi Duvvuri, Gary Russell

The dependence of purchase decisions on price reference points is a well-documented aspect of consumer choice. In this research, we develop a cross-category choice model to investigate how reference prices in one product category influence consumer purchase behavior in other categories. Our model is based upon the assumption that a consumer's subjective judgment of the fairness of the prices in one category influences the choice of items in other categories, especially related categories. Building upon existing research on reference price and the emerging research stream of multiple-category choice, we derive three different cross-category reference price model specifications. These models allow us to decompose reference price effects into within-category and across-category impacts. We calibrate the models using purchase histories from an A.C. Nielsen scanner panel of four related categories: liquid and powdered detergents, liquid and sheet softeners. Preliminary results show that there are significant reference price effects in response behavior in all the four categories. The results also suggest that consumers do not form reference points at the category level. Instead, within-category reactions to SKU-level reference prices combined with category-level demand relationships (complementarity, independence, and substitution) drive the choice of the market basket. We discuss the implications of these results for retailer category management.

FA10

Seminar Room 3.2 (Room 3003)

Retailing Competition

Chair: Marnik Dekimpe, Research Professor of Marketing, Tilburg University & Catholic University Leuven, Warandelaan 2, Tilburg, NL, 5000 LE, Netherlands, m.g.dekimpe@uvt.nl

1 - The Way Music Died: The Effects of Retail Competition on Variety

Oded Koenigsberg, Assistant Professor, Columbia University, 3022 Broadway, 505 Uris, NY, NY, 10027, United States, ok2018@columbia.edu, Eitan Muller, Paris Cleanthous

Could competitive pressure in the retail business result in a decrease in product variety offered for sale at these establishments? In Frontline interviews of a number of individuals heavily involved in the music business, a claim was often made that new singers have a tougher time today. The reason is that the major stores such as Best-Buy, Target and Wal-Mart, which together account for 50 percent of music sales, will carry less than 5 percent of titles, and only the top selling ones. The rest will have no chance of being sold by these major retailers, and a harder time than in the past to be sold by specialist stores such as Virgin or Tower (Kirk 2004). In this paper we investigate the effects of competition in the retail industry on the variety of titles this industry offers. Specifically we show that the entry of the likes of Wal-Mart into music negatively affects the variety of music titles offered at music specialty stores such as Virgin Mega stores. We also supply some empirical evidence from the music and books industries.

2 - An Empirical Investigation of Product Variety Competition Among Retailers

Ye Hu, Purdue University, 403 West State St, West Lafayette, IN, 47907, United States, hu18@purdue.edu, Jeffrey Hu, Jerry Hausman

Retailers compete on the four P's: price, promotion, place, and product. Competition among retailers on price, promotion, and store location has been thoroughly studied in both economics and marketing. It is, however, noticeable that competition on the fourth dimension, product, more specifically product variety stayed an under researched area. Some analytical research suggests that consumers may derive utility from having more choices, which subsequently gives retailers more incentive to provide their consumers with better product selection. In this research, we use the SKU information of two large retail chains in the United States to empirically investigate retailers' competition on product variety. We find that the presence of a nearby major competing store increases the number of SKUs carried by the focal store, after controlling for factors related market attractiveness (e.g., household income, gender composition, ethics, etc.). Further examination suggests that inventory or capital cost plays significant role in SKU carriage decisions. Our results also indicate that retailers behave differently strategically.

3 - Competitive Reaction to Wal-Mart Entry

Jie Zhang, Assistant Professor, Robert H. Smith School of Business, 3446 Van Munching Hall, University of Maryland, College Park, MD, 20742, United States, jiejie@rhsmith.umd.edu, Kusum Ailawadi, Aradhna Krishna, Michael Kruger

Despite extensive press coverage about the "Wal-Mart Effect", academic research empirically examining the impact of a Wal-Mart entry is limited. Researchers have studied impact on consumer purchase behavior and consumer welfare, and the accounting profit and stock price impact on affected retailers. But little is known about how retailers have adapted their marketing activities in reaction to Wal-Mart's entry. Analyzing retailers' reactions is important not only in its own right but also because it provides insight into why some retailers, categories, and brands are affected immensely by a Wal-Mart entry, while others are more immune to it. We study the reactions of competing retailers to an entry by Wal-Mart using detailed store movement data for over forty product categories from a large number of grocery, drug, and mass merchandise stores in nine markets with a first-time Wal-Mart entry. We adopt a before-after with control group analysis to measure the competitive reactions. Specifically, we 1) measure how incumbent retailers change their pricing, promotion, and national brand and private label assortment in reaction to the entry; 2) study how and why these reactions vary across retail format, product categories, and brand tiers; and 3) relate these reactions to sales changes experienced by the incumbent retailers. Preliminary analyses clearly show the impact of the entry on competing retailer sales, and significant variation in sales impact and competitive reactions across categories and retail formats. We also find that the impact on a retailer's sales is indeed affected by how the retailer reacts to the Wal-Mart entry. Hence, retailers can adjust their merchandising activities more strategically and minimize the negative impact of a Wal-Mart entry.

4 - Dancing With a Giant: The Effect of Wal-Mart's Entry Into the U.K. on European Retailing

Marnik Dekimpe, Research Professor of Marketing, Tilburg University & Catholic University Leuven, Warandelaan 2, Tilburg, NL, 5000 LE, Netherlands, m.g.dekimpe@uvt.nl, Katrijn Gielen, Jan-Benedict Steenkamp, Linda Van de Gucht

We examine the value-destroying and value-enhancing effects of a giant player's foreign entry on incumbents operating in that region. We use Wal-Mart's entry into the U.K., through its acquisition of Asda, as empirical context. Drawing on the marketing, strategy, and finance literatures, we develop hypotheses as to why some incumbents are expected to be negatively affected, while others might benefit from the entry of a giant, paradigm-shifting, competitor. Specifically, we argue that the per-

formance implications for incumbents are driven by the seriousness of the threat posed by the new entry, and the incumbents' capacity to withstand that threat. The seriousness of the threat is determined by the extent of overlap in assortment, positioning, and geographic scope, while incumbents' capacity to withstand the threat is influenced by their financial strength and certain organizational capabilities. The latter reflect both certain core competencies (e.g. experience to operate in competitive and price-oriented markets), or contain Wal-Mart-specific competitive repertoires, determined by the extent and intensity of prior contacts with Wal-Mart. Our measure of performance impact is the change in shareholder value around the announcement date, which has recently been recognized in marketing as a key metric to evaluate the effectiveness of marketing actions. Our hypotheses are tested on nearly 100 European retailers. We find strong support for our conceptual model, and discuss various managerial implications of our results. By acting proactively, incumbents can mitigate the negative performance consequences, while maximally benefiting from the positive implications that a giant competitor's entry may entail.

■ FA11

Seminar Room 3.3 (Room 3005)

Pricing V – Psychology

Chair: Tülin Erdem, Stern School of Business, NYU, terdem@stern.nyu.edu

1 - Evaluating Theories of Image Effects and Rational Inattention: Price Points in Internet Retailing

Robert Kauffman, W. P. Carey Chair in Information Systems, Arizona State University, W. P. Carey School of Business, Tempe, AZ, 85287-4606, United States, rkauffman@asu.edu, Dongwon Lee, Mark Bergen

We investigate the extent to which certain price-endings or price points occur in Internet-based selling, and theorize about what drives the observed regularities and variations. We explore theories based on consumer perceptions of price and quality images and rational inattention to price-endings. To accomplish this, we specify and test a discrete choice model for price-endings using over 1.7 million daily observations on multiple product categories sold by hundreds of Internet-based retailers that were collected over a two-year period from March 2003 to April 2005. Our results show that a firm's online reputation, its relative price levels within a product category, and its popularity have effects on the chosen price-endings with respect to different product categories. The results partially support an image theory of store quality, and suggest other behavioral and operations theories to explore in future work. We also find that the use of 9-ending prices varies across Internet selling formats in a way that is consistent with differences in the rational attentiveness that these channels engender with the consumers who use them.

2 - An Empirical Investigation of Pricing and Product Line Decisions When Price Signals Quality

Voelckner Franziska, University of Hamburg, Von-Melle-Park 5, Hamburg, 20146, Germany, voelckne@econ.uni-hamburg.de, Sven Theysohn, Martin Spann

An essential input to the implementation of most pricing models is the response of demand to changes in price. The price response of demand is driven—among others—by two distinct effects, namely the allocative and the informational effect of price. Although the allocative and informational roles of price are conceptually distinct, common procedures for measuring price response of demand are likely to confound them. Such measurement approaches presumably lead to suboptimal managerial recommendations for pricing policies because it does not consider explicitly the dual role that price plays in consumers' evaluations of product alternatives. This paper analyzes the impact of the informational effect of price (i.e., price indicating product quality) on optimal pricing and product line decisions. Using discrete choice data, the authors present a new approach to separate the allocative and informational effects of price at the consumer segment-level and combine the parameter estimates with a model of product differentiation. Seven empirical studies in various product categories are conducted to provide empirical evidence for the robustness and relevance of the proposed approach. The authors find a significant impact of the informational effect of price on consumers' product choices, market segmentation and thus on sellers' optimal pricing and product line decisions. Sellers can increase profits on average by 12.59% if they adequately account for the informational effect of price in their decisions.

3 - A Simple Test of Reference Price Theories

Tülin Erdem, Stern School of Business, NYU, terdem@stern.nyu.edu, Baohong Sun, Michael L. Katz

There is a large literature demonstrating the empirical importance of reference price effects. There are also many theories regarding how and why reference prices influence consumer behavior. We offer a simple test that distinguishes between the two leading theories based on economically rational behavior: price as a signal of quality and price as a signal of future prices. We apply our test to the purchases of ketchup and diapers.

■ FA12

Seminar Room 3.4 (Room 3007)

Branding, Reputation and Brand Value Chain

Chair: Leigh McAlister, H.E. Hartfelder/The Southland Corporation Regents Chair for Effective Business Leadership, Department of Marketing, McCombs School of Business, University of Texas-Austin, CBA 7.228/ B6700, Austin, TX, 78712, United States, Leigh.McAlister@mcombs.utexas.edu

1 - The Role of the Communication Mix in the Formation and Maintenance of Corporate Esteem

Seema Pai, Ph.D. Candidate, University of Southern California, 177 107th Ave NE #1904, Bellevue, WA, 98004, United States, seema.pai@marshall.usc.edu, Siddarth Sivaramakrishnan, Natalie Mizik

In recent years, several business scandals have brought the issue of corporate reputation to the fore and reports in the business press indicate that top executives consider it a critical determinant of firm value and performance. There has, however, been relatively little research on what drives corporate reputation. In this paper, we investigate the roles of independent media, PR, and advertising in the formation and maintenance of corporate reputation. Agenda Setting theory, which comes from the literature on mass communication, posits that mass media influences the issues that people choose to talk and think about. Using a panel dataset of 175 firms for 2000-2005, we estimate an econometric model to quantify the impact of a) firm-initiated media coverage, i.e. public relations activities, b) independent media reports and c) a firm's advertising expenditure on the public perceptions of corporate esteem of a firm. Perceptions of corporate esteem are assessed by an annual national poll conducted by Y&R. We measure independent media coverage in terms of its visibility (e.g., front page versus business section), its volume, and use text-analysis to measure its content. To assess the public relations activity we measure the volume and content of the press releases issued by a firm and we use the TNS database for advertising expenditures. Thus, our analysis provides insight into the relative influence of these three components of the firm's communication mix on its corporate reputation. Next, we build a model to examine the role and the dynamic impact of esteem, media, PR, and advertising on the firm's financial performance (accounting and stock market).

2 - Testing the Brand Value Chain: An Exploration in the Personal Gaming Industry

Sundar Bharadwaj, Caldwell Research Fellow Associate Professor of Marketing, Emory University, 1300 Clifton Road, Atlanta, GA, 30322, United States, Sundar_Bharadwaj@bus.emory.edu, Andre Bonfrer

While the role of brands in driving consumer choices is well acknowledged, little empirical research exists that explores the complete chain of firm actions in brand building, consumer brand associations and brand performance. Drawing on a unique combination of datasets, this study examines the role of firm actions on both consumer brand associations and sales and market share of brands in the personal gaming industry.

3 - Measuring Brand Equity: A Comparison of Keller's and Aaker's Framework using a Bayesian Approach

Ashish Sinha, SMIB, Victoria University of Wellington, Rutherford House, Wellington, New Zealand, ashish.sinha@vuw.ac.nz, Nicholas Ashill

Academic literatures in the area of brand equity have examined the significance of brand equity in providing competitive advantage to an organization (Hoeffler and Keller, 2003). While there are numerous conceptual and measurement models of brand equity in the literature, there is no consensus on what constitutes the multi-dimensional aspect of brand equity. In addition, research work measuring different components of brand equity has only examined durable products. This study extends this research stream by examining the different components of consumer-based brand equity and the impact that these sub-compo-

nents can have on purchase intention. There are three major contributions of this work. Firstly, this paper uses a Generalizability theory rather than Classical measurement theory to evaluate competing conceptual frameworks. Secondly, extant literature conceptualizes the sub-components of brand equity as having a linear relationship with behavioural and intentional measures. We extend this framework to incorporate and test not only non-linear functional forms but also the impact that interactions between the subcomponents of brand equity have on choice decisions. Lastly, we use a Hierarchical Bayesian Approach to incorporate individual level differences in both the structural and the measurement model. The developed model is applied to a non-durable category.

4 - Linking a Brand's Value to the Value of its Customers

Leigh McAlister, H.E. Hartfelder/The Southland Corporation Regents Chair for Effective Business Leadership, Department of Marketing, McCombs School of Business, University of Texas-Austin, CBA 7.228/ B6700, Austin, TX, 78712, United States, Leigh.McAlister@mcombs.utexas.edu, Shameek Sinha

Existing marketing literature has emphasized the role played by brand equity and customer equity in driving firm performance (Leone, Rao, Keller, McAlister, Srivastava 2006). Linkages have been established between these two crucial marketing constructs and firm value. However, there have been few attempts which investigate the underlying relationship between brand equity and customer equity. In this paper, we fill this void by proposing a model that links brand equity and customer equity. In particular, we calculate the value of each of the target brand's customers, represent the brand's value as the sum of the values of its customers, and then use a customer-mix model (McAlister, George, Chien 2007) to develop an understanding of the forces that increase the value of a brand by increasing the value of the mix of customers buying that brand. We propose to estimate the relationship between brand equity and customer equity at two levels: a shorter-term "tactical" level and a longer-term "strategic" level. We consider several store-level, firm-level and brand-level marketplace drivers which influence the target brand's customer mix at the tactical and strategic levels. The proposed model complements the existing conceptual models (e.g., Fournier 1998, Keller 2003) by providing statistical measures of the impact of market-related phenomena on the financial value of a target brand. We derive empirical insights which should be useful to those people inside the firm who are charged with responsibility for setting marketing strategy and tactics to grow the target brand's value.

■ FA13

Seminar Room 3.7 (Room 3026)

Bayesian Application in CRM

Chair: Satish Jayachandran, Associate Professor, University of South Carolina, Moore School of Business, Department of Marketing, Columbia, SC, 29208, United States, satish@moore.sc.edu

1 - Integrating Loyalty Program Database and Customer Panel Data for Share-of-Wallet Estimation

Jeongwen Chiang, Professor, Cheung Kong Graduate School of Business, 3/F E3 Oriental Plaza, Beijing, China, jwchiang@ckgsb.edu.cn, Yuxin Chen, Mengze Shi

Knowledge on the share-of-wallet (SOW) of individual customers is crucial for the design and implementation of successful loyalty programs. However, it is a great challenge to accurately measure SOW at the individual customer level because a firm usually has rich data about customers' transactions with it but very limited information on customers' transactions at competing firms. In practice, the typical approach to measuring SOW is to obtain complete purchase information from a panel of customers, who are a small subset of all the customers in a firm's internal database. Then the relation between SOW and the covariates, such as customer characteristics and purchase history with the firm, is modeled and the parameters in the model are estimated from the panel data. Finally, SOW measures of customers not in the panel are predicted using the estimated parameters. The drawback of such an approach is that the vast amount of information in firm's transaction database is not utilized in estimating the parameters of the model. In this study, we propose a Bayesian approach to estimating customers' SOW at the individual level. This approach integrates a firm's transaction database of customers in its loyalty program with customer panel data obtained from marketing research. Specifically, we treat the hyper-parameters that govern consumer heterogeneity in the panel data as the priors of the heterogeneity distribution for customers in the loyalty program database. As a result, information in both datasets is utilized in the estimation of all model parameters and individual level SOW. We demonstrate the application of the proposed method using data from a frequent fliers program of a major Chinese airline.

2 - The Importance of Explicit Drop-Out Modeling in an Always-a-Share Transaction Setting

Michael Jungbluth, PhD Student, Catholic University of Eichstaett Ingolstadt, Auf der Schanz 49, Ingolstadt, 85049, Germany, michael.jungbluth@kuei.de, Joachim Bueschken

Purchase incidence models represent a powerful tool kit to model transaction data in always-a-share markets. Ehrenberg was the first to introduce stochastic mixture models to marketing problems. Schmittlein, Morrison, Colombo (1987) and Hardie, Fader, Lee (2005) subsequently developed the Pareto- and BG/NBD model respectively, combining stochastic assumptions for defection- and count-processes for customer-base analysis. Both modeling approaches congruently focus on the existence of explicit drop-out processes and consequently on defection parameter space. The question is whether it is appropriate to explicitly account for a drop-out process when dealing with customers in always-a-share markets? In such settings one can argue that instead of a latent drop-out probability there is no drop-out at all since individual purchase rates (λ) may become (close to) zero in a given time period T . Bayesian methods offer options to analyze customer specific purchase rate credence intervals allowing for a more precise analysis of individual purchase behavior compared to adjusted NBD models including never buyers. Opposed to the paper of Jen, Chou and Allenby (2003) which shows the predictive advantages of HB Poisson models with reference to various stochastic count alternatives, we focus on drop-out and compare an explicit drop-out modeling approach (BG/NBD) with an implicit drop-out approach implemented by a HB Poisson model. We use individual customer transaction data from a German catalogue retailer. This paper empirically analyzes if estimates based on customer specific posterior purchase rates outperform pooled density estimates for defection and count in conjunction, and provides evidence for/against the necessity to explicitly model drop-out in always-a-share settings.

3 - Conversion of Shoppers in Brick and Mortar Retailing - An Analysis of Observational Data

Joachim Büschken, Professor, Catholic University of Eichstätt-Ingolstadt, Auf der Schanz 49, Ingolstadt, 85049, Germany, jb@wfi.edu

Every store visitor presents a sales opportunity to retailers. However, not every visitor becomes a buyer. Converting visitors into buyers presents a fundamental challenge in retailing. Recently, conversion of online retailers has attracted significant attention because of their dismal website visitor conversion rates. We address visitor conversion from the store-retailing perspective. In this area, conversion has received comparatively little attention. Within-store conversion is differentiated in several steps. This paper focuses on conversion of visitors who stop in a category area of the store to buyers. The contribution to the literature is threefold: (1) Based on the literature, it is hypothesized that haptic exploration of the product and salesperson encounters positively influence stop-to-purchase conversion. This is the first study to test these propositions for which strong empirical support is found. (2) The data used for this study stems from 194 visitors of a German consumer electronics store who were observed during their shopping episodes. In-store observation is a rarely used method to collect shopping data in academic research. However, it presents a powerful technique to link in-store variables to purchasing behavior (Granbois 1972). Based on the results, an evaluation of this data collection instrument is provided. (3) Because of the potential shortcomings of observational data (unobserved heterogeneity on the consumer level), a hierarchical Bayes method is applied to the empirical analysis. We link unobserved consumer-level heterogeneity to additional results from an exit survey of observed store visitors and demonstrate that the hierarchical Bayesian approach effectively captures latent and relevant consumer characteristics.

4 - The Impact of CRM Technology Installation on Firm Performance

Satish Jayachandran, Associate Professor, University of South Carolina, Moore School of Business, Department of Marketing, Columbia, SC, 29208, United States, satish@moore.sc.edu, Alexander Krasnikov, Bikram Ghosh

Marketing academics advocate that firms will benefit from pursuing customer relationship management under certain circumstances. Building sustained relationships with their customers will enable firms to create customer loyalty and consequently, higher customer lifetime values. Implementing customer relationship management involves developing appropriate relational information processes and implementing a suite of information technology applications known as CRM technology. CRM technology has gained wide popularity over the past several years with firms in wide variety of industries adopting the technology to improve their customer relationship management practices. However, over time, concerns have been expressed in both academic and practitioner literature about the impact of CRM technology on firm performance. While CRM technology has been shown to have a positive impact intermediate performance measures such as customer satisfaction and loyalty, its impact on firm performance is still a matter of considerable debate.

Therefore, in this paper, the authors examine the impact of CRM technology installation on firm performance. The data for the study were obtained from a sample of 49 banks and spans 25 time periods. Using Hierarchical Bayesian linear regression estimation using MCMC, and after controlling for other influences on firm performance, the study finds that CRM installation has a positive influence on firm performance measures such as price-to-book ratio. Thus, the study provides evidence that the implementation of CRM technology has a positive influence on market-based measures of firm performance.

■ FA14

Seminar Room 3.8 (Room 3028)

Services Marketing II

Chair: Yuli Lin, Assistant Professor, Southern Taiwan University of Technology, No. 1, Nantai Street, Yung-Kang City, Tainan, 710, Taiwan, z5a@mail.stut.edu.tw

1 - Investigating the Elements of the Service Brand: A Customer Value Perspective

Roderick Brodie, Professor, University of Auckland Business School, Private Bag 90129, Auckland, New Zealand, r.brodie@auckland.ac.nz, James, R. M. Whitmore, Gregory J. Brush

Despite considerable interest in the nature and role of marketing in the service economy (Vargo and Lusch 2004) there has been limited research that investigates the "service brand". Research to date has tended to be qualitative (e.g. Berry, 2000; de Chernatony & Segal-Horn, 2003) with little emphasis on theory testing. Our research closes this gap by developing and testing a theory of the service brand. The model includes traditional element of brand image plus three additional elements which more fully reflect the broader service brand perspective (company reputation, employee trust, and company trust). We examine how these brand elements influence the customer value-loyalty process. Using survey data of a sample of 552 airline customers our analysis shows there is direct influence of all the brand elements on customers' perceptions of value. In addition brand image, company reputation and employee trust have a mediated influence on customer value through customers' perceptions of service quality. Finally our analysis shows that service brand does not have direct influence on customer loyalty but rather its influence is mediated through customer value.

2 - Customer Orientation of Service Employees, Its Impact on Customer Satisfaction and Retention

Kambiz Heidarzadeh Hanzaee, Assistant Professor of Marketing and Head of Business Management Department, I.A.U. (Science and Research Branch) University, Ashrafee-e-Esfahani Highway, Hesarak Road, Tehran, IR, 1477893855, Iran, kambizheidarzadeh@yahoo.com

As a result of the intangible and interactive nature of services, customers often rely on the behavior of service employees when judging the quality of a service. Consequently, the employees' level of customer orientation is considered an important leverage for service firms' economic success. With the performance of service personnel often constituting a major element of a service per se, the customer orientation of service personnel is often regarded as a main determinant of service firms' success. Drawing on a deductively derived four-dimensional conceptualization of the customer orientation of service personnel, consisting of employees' technical skills, social skills, motivation, and decision-making power, a model of the impact employees' customer orientation has on key service marketing constructs is theoretically developed. The model is then empirically tested against a sample about 1000 consumers for two service contexts (i.e. banking industry and travel agencies), with the results providing support for most hypotheses. Implications of the findings for services and retail management are discussed.

3 - Too Much of a Good Thing: Organizational Learning as Resource or Distraction?

Simon Bell, University of Cambridge, Judge Business School, Trumpington Street, Cambridge, CB1 2AG, United Kingdom, s.bell@jbs.cam.ac.uk, Omar Merlo, Eden Yin

The literature is replete with studies extolling the virtues of organizational learning for firms, and for good reason. Organizational learning has been linked to product development speed and success (Lynn et al. 1999), marketing channel efficiency (Lukas et al. 1996), and overall business performance (Ruiz-Mercader et al. 2006). Could it be, however, that businesses, consultants and scholars have adopted unquestioningly organizational learning as a panacea for competitive advantage? March (1991) highlights the trade-off between types of learning (i.e., exploitative versus exploratory learning). It is plausible a tension will also exist between the pursuit of organizational learning in general and other business functions. In other words, there may be a trade-off

between the time and effort allocated to build a learning capability and efforts to leverage the insights gleaned from this very capability. Baker and Sinkula (1999), for example, argued that a learning orientation can lead an organization astray if not grounded in a strong market orientation. Without always questioning its relevance, a learning capability has the potential to become excessive introspection. Accordingly, in this study we contend that, as with other capabilities, firms can devote too much attention toward developing the focal capability and not enough on leveraging the capability for organisational benefit. Using a sample of 124 retail stores, we explore a simple relationship between employees' commitment to customer service and retail store performance. We consider the moderating impact of organisational learning on this relationship and suggest that the moderating effect should be curvilinear in nature, where a moderate level of organisational learning is optimal for stores.

4 - The Moderating Role of Employee-Customer Fitness on Service Performance

Yuli Lin, Assistant Professor, Southern Taiwan University of Technology, No. 1, Nantai Street, Yung-Kang City, Tainan, 710, Taiwan, z5a@mail.stut.edu.tw, Hsiu-Wen Liu

Fitness, such as demographics, values, perceptions, attitudes and personality, is a typical issue in organization research. Past studies in organization behavior have investigated the person-organization fitness, leader-follower fitness, person-job fitness and person-vocation fitness. In this study, we apply the fitness construct to study the moderating role of employee-customer fitness on the performance of service quality. We propose three types of fitness which includes (1) emotional intelligence fitness; (2) personality fitness; (3) relationship fitness. The dyad data were collected from employees and customers. The results show that when employee and customer are congruence, the service behavior will have higher influence on perceived service quality. This study improves our understanding of employee-customer fitness on the service performance.

■ FA15

Seminar Room 3.9 (Room 3029)

Empirical Industrial Organization I

Chair: Dan Horsky, Simon School, University of Rochester, Simon School of Business, Rochester, NY, United States, dan.horsky@simon.rochester.edu

1 - The Effect of Competition on the Rate of Innovation in High-Tech Product Industry

Wonjoon Kim, Assistant Professor, KAIST, 373-1 Gueong-dong, Yuseong-gu, N5-2110, Daejeon, 305-701, South Korea, wonjoon.kim@kaist.ac.kr

This paper measures the effect of competition on the rate and degrees of innovation in high-tech product industry. Although cannibalization from new generation introduction can substantially decrease its overall profit, monopolistic firms keep innovating their products in order to confirm the profit from inter-temporal price discrimination originated from its product differentiation. In addition, the firm, even, accelerates its rate and degrees of innovation to secure these profits, when it confronts competition. The empirical application to the global semiconductor industry confirms our theoretical results.

2 - An Investigation of Exchange Rate Pass-Through-Effects

Till Dannewald, Humboldt University Berlin, Spandauer Str. 1, Berlin, 10178, Germany, dannewald@wiwi.hu-berlin.de, Lutz Hildebrandt

When deriving a profit-maximizing price strategy in a foreign market, possible changes in local currency have to be considered. It is known that exchange rate changes cause variations in export and import prices. However numerous studies find that the effect of currency fluctuations decreases towards the final consumer price or even becomes insignificant. Some authors even underline the fact that one main factor that drives the impact of currency variation on price and margin is given by the channel length. This implicates that exogenous cost shocks caused by exchange rate changes are passed through imperfectly to final consumer prices. Clearly, a change in cost that is incompletely passed through leads to changes in margins. We therefore expect that the margins of all players involved in the distribution process will be tangled differently by exchange rate variation. This raises the question: Who actually benefits or is harmed by exchange rate variation? To address this research question we apply the concept of exchange rate pass-through (ERPT). Following standard empirical trade theory, we defined ERPT as the extent to which exporters pass along exchange rate-induced margin increases (decreases) by lowering (raising) prices in export market currency terms. To gain an insight into the market mechanisms for a typical consumer good, we use a micro econometric framework that incorpo-

rates three different players in the distribution process: manufacturer, wholesaler and retailer. This model of "twice double marginalization" is incorporated in a structural choice model that follows the tradition of Berry, Levinsohn and Pakes (1995). Given the estimation results, we calculate ERPT coefficients for various exchange rate changes by performing counterfactual experiments.

3 - Negative Political Advertising on Vote Outcome: An Investigation of 2000 Election

Hai Che, Assistant Professor, University of California at Berkeley, 545 Student Services Building, #1900, Haas School of Business, UC Berkeley, Berkeley, CA, 94720-1900, United States, cheh@haas.berkeley.edu, Ganesh Iyer, Ravi Shanmugam

The topic of negative advertising in political campaigns has been especially timely in recent years, given the increased presence of negative ads with each successive U.S. election cycle. Using data sets containing detailed information from both voter surveys and automated ad monitoring, we model voter choices in House, Senate, and Presidential races in 2000. Our model framework contains both a voter choice (demand) model and a political candidate campaign advertising (supply) model. Using a multinomial logit choice model with random coefficients, we find evidence for a negative effect for negative ads run by a given candidate on the probability that a given individual votes for that candidate in House races, which changes to a positive effect in Senate and Presidential races. In addition to this "main" effect, we also show that voter sensitivity to negative ad amounts is in turn dependent on various race-specific factors (incumbency status, balance of character-focused negative ads) and individual-specific factors (voter demographics, interest, awareness, and partisanship). In addition, we model the campaign's choice of relative balances of negative and positive ads, based on voter response to different ads and candidate/party characteristics.

4 - Competitive Positioning and Pricing of Brand Lines

Dan Horsky, Professor, Simon School of Business, University of Rochester, PO 270100, Rochester, NY, 14627, United States, danhorsky@cs.com, Sanjog Misra, Paul Nelson

We develop and illustrate a methodology to identify profitable new brand positioning and existing brand line repositioning and pricing for oligopolistic multi-brand firms. In this context a firm maximizes the joint profits over its brand line and each brand not only competes with the brands of other producers, but also cannibalizes (and is cannibalized by) other brands of the same producer. Moreover, economies of scope in production impact each brand's cost structure. An added layer of complexity is the fact that the demand and supply curves commonly defined are not in the same multi-attribute space. Consumers evaluate the brands in a perceptual space while the firms produce them in a physical one. In our model we assume (and later estimate) that the consumer transforms appropriately weighted physical attributes into subjective perceptual ones. Several physical attributes define each perceptual attribute. We have collected several data sets related to the SUV market. We combine survey based individual data with aggregate market share data. Our demand side estimation integrates individual level subjective perceptions, preferences, price paid, and actual choice with aggregate level market share by SMA; as well as objective attributes. The cost side is estimated on objective attributes, using the assumption of brand lines equilibrium in prices but not in location. The estimated demand and cost functions lead to a procedure to identify brand line profit maximizing physical space positioning and repositioning strategies which account for competitive price reactions.

FA16

Seminar Room 3.10 (Room 3031)

Customer Satisfaction and Customer Behavior II

Chair: Jan U. Becker, Assistant Professor, Christian-Albrechts-University at Kiel, Westring 425, Kiel, 24118, Germany, becker@bwl.uni-kiel.de

1 - Carryover and Halo-Effects in Service Satisfaction Formation

Jenny van Doorn, Postdoc, University of Groningen, P.O. Box 800, Groningen, 9700 AV, Netherlands, j.van.doorn@rug.nl

The prevalence of long-term relationships, especially in business-to-business situations, necessitates a dynamic approach in customer satisfaction research. The first goal of this paper is to explore the extent to which current satisfaction evaluations are influenced by past evaluations. Concerning the impact of past on present satisfaction evaluations, two paths of influence are conceivable: On the one hand, attribute and overall satisfaction evaluations can be influenced by their lag. On the other hand, overall satisfaction evaluations can have a halo effect on recent attribute ratings. Up to date, halo-effects have however been mainly researched in cross-sectional studies, which is surprising, since

the possible merit of panel data in assessing halo effects has been recognized. Hence, the second goal of this study is to examine the existence of halo effects in satisfaction formation using a longitudinal research design. Furthermore, in the light of the many studies finding nonlinear effects in the context of customer satisfaction formation, it is likely that this relationship may display nonlinearities as well. The third goal of this research is thus to investigate possible nonlinearities in the lagged relations and with respect to halo effects. We choose Business-to-Business Services as our field of research. As main results we find considerable carryover effects in satisfaction formation, while the halo effects are rather weak. Furthermore, there is a positive asymmetry in the relations, implying that positive satisfaction evaluations have a larger propensity to carryover to the next period than negative ones. This finding implies that customers in long-term business relations have a certain tolerance towards their service provider.

2 - A Comparison of Bayesian Networks to Principal Component Analysis to Detect e-satisfaction Factors

Christine Balague, Assistant Professor of Marketing, University of Sciences and Technology Lille 1, 104 Avenue du Peuple Belge, Lille, 59043, France, christine.balague@iae.univ-lille1.fr, Anne Françoise Audrain

This research compares Bayesian networks to principal component analysis and regression models to detect the e-satisfaction attributes. The review of the e-marketing literature reveals that most researches rely on principal component and regression analyses to identify the e-satisfaction key attributes. Bayesian networks have yet been used in a marketing context to estimate service-profit chain for transport service satisfaction (Anderson, Mackoy, Thompson & Harrell, 2004) but neither applied to e-satisfaction. To compare the two methodologies, we developed two on-line questionnaires for a e-service company: Expedia, the worldwide e-travel leader. The first questionnaire deals with immediate post-purchase's satisfaction, the second one with customers' post-travel satisfaction. Respectively 8193 and 6653 people were interviewed in 2006. The interviewees had to report their overall and detailed satisfaction for the web site (first questionnaire) and their overall experience including the trip (second questionnaire). Two principal component and regressions analyses were run to identify the attributes contributing to customers' overall satisfaction and e-loyalty. We then ran Bayesian networks analyses on the two data sets. Our results confirm that Bayesian networks methodology has several advantages compared to the other approach. First it is able to explain dependent variable relationships. Secondly, it takes the non linear relationships into account. Besides, it can describe causal links using observable variables within a single multivariate model, and has the ability to conduct probabilistic inference for predictions, diagnostics. It can work with incomplete data. Finally, it provides a graphical representation which is of interest for both academics and managers.

3 - Reliability of Direct Customer Satisfaction Tracking Data

Jan U. Becker, Assistant Professor, Christian-Albrechts-University at Kiel, Westring 425, Kiel, 24118, Germany, becker@bwl.uni-kiel.de, Sönke Albers

Customer satisfaction is considered to be an important indicator for future sales. Numerous studies have shown high correlations between customer satisfaction and the intention of repeat buying and recommendation of the product. Based on these findings, it has been advocated to use customer satisfaction as tracking information over time and even as a basis for the compensation of salespeople or managers. In both cases, controlling one's business or motivating people may only result in better performance if customer satisfaction is measured in a reliable way. To the best of the authors' knowledge, we are not aware of any study that has investigated the reliability of direct customer satisfaction ratings yet (not to be mistaken for internal consistency of items measuring a construct). Hence, we investigated the reliability of direct customer satisfaction measures using a satisfaction tracking study in the public transport sector. Rather than asking waves of different people for their customer satisfaction over time, we set up a panel and interviewed the same people about their level of satisfaction with a public transport system over a period of three years. Asking for both present satisfaction and its change since the last survey, we are provided with a direct measure of customer satisfaction reliability. Furthermore, we compared the ratings with objective measures of service quality of the public transit system. The results are quite interesting. The analysis shows that only one third of all present ratings conform to the statements on the change in satisfaction since the previous year. Therefore, this result indicates more caution interpreting and using customer satisfaction tracking results.

Friday, 10:30 - 12:00pm (Session FB)**■ FB01**

Seminar Room 2.1 (Room 2001)

Special Session: Contemporary Issues in Branding in the Asia Pacific Region: Challenges for Marketing Science

Chair: Roderick Brodie, Professor, University of Auckland Business School, Private Bag 90129, Auckland, New Zealand, r.brodie@auckland.ac.nz

1 - Panel Discussion: Contemporary Issues in Branding in the Asia Pacific Region: Challenges for Marketing Science

Roderick Brodie, Professor, University of Auckland Business School, Private Bag 90129, Auckland, New Zealand, r.brodie@auckland.ac.nz, Rajendra K. Srivastava, Mark Uncles, Sherriff Luk

The importance of the brand as the fundamental asset (and liability) of any business is well recognised by managers, consultants and business writers. This is dramatically highlighted every year in Business Week which shows that the value of the brands to be the dominant component of organisation's financial assets. The importance of brands is recently increasing getting attention by businesses in the Asia Pacific Region. For example "China Mobile" was recently ranked the fourth most valuable brand in the world. However while branding is seen as increasingly important brand differentiation is becoming more difficult due to increased competition. Hence in many markets there is the danger of category commoditization where price dictates and brand value is eroded. While there has been over two decades of academic research about brands and brand equity it has largely adopted a traditional consumer based perspective. In the contemporary environment this perspective provides a limited view about how brands create value. For example Webster (2000) regards it a "mistaken assumption" that brands only have a role in the firm's relationship with end customers and Prahalad, (2004) issues the challenge for academics to escape the firm and the product/service-centric view of value creation and move on to an experience-centric co-creation view of the brand. This purpose of this session is to explore contemporary perspectives of branding in order to identify issues and challenges for research in the Asia Pacific Region. The session will build the recent research agendas developed by the MSI and Keller and Lehmann's (2006) article in the Special Issue of Marketing Science.

■ FB02

Seminar Room 2.2 (Room 2002)

Antecedent of Online Purchase Behavior

Chair: Joeri De Haes, Dr., University of Antwerp, Prinsstraat 13, Antwerp, Belgium, joeri.dehaes@ua.ac.be

1 - Contingent Free Shipping and Repeat Buying on the Internet

Skander Esseghaier, Associate Professor, Koc University, Rumeli Feneri Yolu, Istanbul, 34450, Turkey, skander@ku.edu.tr, David Bell, Yinghui Yang

Free shipping is one of the most effective marketing tool in e-tailing, yet it is not well understood. We model the optimal shipping policy for a rational, surplus-maximizing shopper, who repeatedly purchases a non-durable product from an Internet site. We focus on contingent free shipping, where the site waives the shipping fee once expenditures reach a given threshold. We show that shopper average order size increases with the free shipping threshold. A key insight is that in the presence of contingent free shipping, higher prices are not necessarily bad news for repeat visit shoppers; they increase the purchase cost, but this higher purchase value helps shoppers qualify for free shipping. As a result, any change in the free shipping threshold will either improve or worsen the shopper's welfare unless such a change is accompanied by a change in the product's price. As prices are increased, free shipping thresholds should first increase then decrease in order to leave a rational consumer equally well off. Also, because the total shopper surplus depends on both the order value and the shipping charge, for a given free shipping threshold and product, the shopper is therefore indifferent between two different (low and high) price points. Finally, we consider the endogenous choice of price and shipping policy by a profit-maximizing firm. We show that a contingent free shipping schedule dominates the benchmark cases of free shipping and fixed-fee shipping. The components of the optimal policy depend critically on firm order processing cost: while

the free shipping threshold increases with the order processing cost, the price of the goods decreases; the shipping fee is shown to play a different role depending on the level of the firm's order processing cost.

2 - Online Purchase Behavior Across Multiple Shopping Sessions

Yuanping Ying, Assistant Professor of Marketing, University of Texas at Dallas, P.O. Box 830688, SM32, Richardson, TX, 75083-0688, United States, yingyp@utdallas.edu, Jie Zhang, Michel Wedel

Shopping cart abandonment is the bane of many online retailers. Industry estimates for shopping cart abandonment rates are very high in general. Other than the apparent reasons such as poor site design, high shipping charges, comparison shopping and etc., online retailers know little about the underlying reasons of shopping cart abandonment, let alone what to do with the abandoned shopping carts. While this issue has drawn attention among marketing academics recently, previous research on the topic has mainly focused on studying the outcome at the end of a single shopping session. In this study, we investigate consumers' online purchase behavior across multiple shopping sessions with an emphasis on the shopping cart abandonment phenomenon as well as purchase quantity decisions. Utilizing click-stream data provided by an online grocery retailer, we study consumers' shopping cart, order, and purchase quantity decisions across multiple shopping sessions by developing a joint model of these decisions within and across shopping sessions. We estimate the model in a Bayesian framework. Our study shows that there is a strong interdependence across multiple sessions and indicates that customers frequently break a shopping trip into multiple shopping sessions. In addition, their shopping cart and order decisions are influenced by marketing mix offerings, which implies that marketers can encourage consumers to transform an "abandoned" shopping cart into an order in the next shopping session.

3 - The Influence of the Online Shopping Environment on Consumer Emotions

Joeri De Haes, Dr., University of Antwerp, Prinsstraat 13, Antwerp, Belgium, joeri.dehaes@ua.ac.be, Annouk Lievens, Walter van Waterschoot

This paper investigates the influence of the online shopping environment on emotional responses in an internet shopping context. Based on Mehrabian and Russell's (1974) stimulus-organism-response framework, our conceptual model relates three dimensions in online store environment features (static design features, functional features and dynamic design features) to emotional responses (pleasure, arousal and dominance), which in turn influence consumers' outcome variables (attitude towards the website and purchase intentions). The conceptual model was tested using a structural equation modelling approach. An online survey was conducted in which respondents were first asked to simulate a purchase on one of 25 existing travel website. After this simulation, respondents were asked to return to the online survey and fill in a questionnaire regarding their experiences with the designated website. The final sample consisted of 428 respondents. Structural equation modelling results indicate that the online shopping environment indeed has a significant impact on online consumers' emotional responses and outcome variables. Functional features have the strongest effect on all three dimensions in emotions: pleasure, arousal and dominance. Static design features also have a positive effect on the amount of pleasure experienced on the website. Dynamic design features have a negative effect on pleasure, which indicates that online retailers should be careful in incorporating dynamic and interactive elements that do not contribute to the functionality of the website. In turn, pleasure, arousal and dominance have a positive effect on the attitude towards the website and purchase intentions. The results were upheld for different consumer segments.

■ FB03

Seminar Room 2.3 (Room 2004)

Innovations and Market Outcomes

Chair: Alina B. Sorescu, Assistant Professor of Marketing, Texas A&M University, Mays Business School, 220 Wehner Building, 4112 TAMU, College Station, TX, 77843, United States, asorescu@tamu.edu

1 - R&D, Marketing and Intangibles - Relationships and Drivers of Success

Henning Kreis, Humboldt University Berlin, Institute of Marketing, Spandauer Str. 1, Berlin, 10178, Germany, kreis@wiwi.hu-berlin.de, Lutz Hildebrandt

Tangible and intangible resources are generally seen as major drivers of the success of companies. Resting on the resource-based view of a firm as well as economic theory as theoretical background, the paper focuses on the impact of investments in R&D and marketing. The paper contributes to strategic marketing research in two different ways. First, it tries to clarify the effects and relationships of R&D investments (as indicator of innovativeness), marketing investments and intangibles on firm performance. Second, the research tackles the problem of measuring intangibles (Barth et al., 2001) and therefore follows the call of Lev and Sougiannis (1999) for an examination of performance implication of various assets, emphasizing the relevance of R&D- and marketing-related competencies. Most of the existing empirical studies on this topic using panel data have not used panel data methods in their analysis (Conchar et al., 2005). Following these authors' appeal for the usage of more advanced panel data estimation techniques, our panel study, estimated in a structural equation modeling approach, analyzes the influence of R&D and marketing on firm performance while explicitly controlling for various types of intangible variables. The empirical study on manufacturing firms shows the need of R&D being supported by marketing efforts, which applies particularly for high-tech companies. While a direct effect of R&D on performance cannot be confirmed, an indirect effect via marketing exists. Intangibles such as the quality of management or the know-how of a company have an impact on the relationships being studied. Especially the positive interaction effect of R&D and marketing which symbolizes complementarities of both variables, heavily relies on firm-specific circumstances.

2 - Spill-Over Effects of Product-Level Innovations on Family Brand and Competitive Brand Perceptions

Jan Busch, Doctoral Student, Chair of International Management, European Business School, Schloss Reichartshausen, Oestrich-Winkel, 65375, Germany, jan.busch@ebs.de, Corinne Faure

Many companies are heavily investing in new product development and wonder about the effects of single product innovations on their own brand image but also on their competitors' brand image. So far, surprisingly little attention has been given in the literature to the spill-over effects of product-level innovations on brand perceptions. To address this issue, we investigated in an experimental study the effects of product-level innovation on perceptions of brand innovativeness (focal family brand and competitive brand). We further manipulated the initial level of family brand innovativeness to analyse the impact of product-level innovation for different types of brands (more or less innovative). We also assessed the direct and moderating effects of consumer innovativeness. Our results show that consumer innovativeness positively moderates the effects of product innovation: in line with earlier research, purchase intentions for innovative products were even higher for innovators than for followers. Moreover, we identified spill-over effects of product-level innovations on perceived brand innovativeness: especially for less innovative brands, product-level innovations not only strengthened perceptions of family brand innovativeness but also negatively influenced perceptions of the brand innovativeness of direct competitors. For more innovative brands, product innovations only affected (positively) family brand perceptions. Our results therefore suggest that less innovative brands have more to gain from product innovation (direct improvement in own brand perceptions and negative effect on competitors' brand perceptions) than more innovative brands (these only benefit from direct effects on their own brand).

3 - Does Innovation in Business Model Improve Shareholder Value? An Empirical Analysis

Alina B. Sorescu, Assistant Professor of Marketing, Texas A&M University, Mays Business School, 220 Wehner Building, 4112 TAMU, College Station, TX, 77843, United States, asorescu@tamu.edu, Venky Shankar

A recent KPMG study found that 93% of executives expect innovations in their business models (i.e., changes to the mechanism by which a business intends to generate revenues and profits) over the next three years. Nearly half of them expect these innovations to be major. According to IBM's CEO, Sam Palmisano, business model innovations are critical to a firm's future and are understudied. Which business model innovations are most commonly practiced by firms? Does innovation in business model improve shareholder value? The literature on business model innovations offers limited insights on the type and magnitude of these innovations and their performance consequences. Drawing from the industrial organization and corporate finance literatures, we develop a framework of business model innovations. We test our hypotheses using a carefully compiled unique dataset from the computer hardware and software industry. We formulate models to investigate the short- and long-term effects of such innovations on shareholder value. Preliminary results indicate that the most frequent business model innovations involve shifts in the product mix and the supply chain. The results also show that the effect of business model innovation on shareholder value varies significantly depending on the scope of the innovation, as well as on firm resources and past performance.

■ FB04

Seminar Room 2.4 (Room 2005)

Decision Research VI

Chair: Anirban Mukhopadhyay, Assistant Professor, Hong Kong University of Science and Technology, Department of Marketing, Clear Water Bay, Kowloon, NA, Hong Kong - ROC, Anirban.Mukhopadhyay@ust.hk

1 - The Anticipation of Chosen Pleasures: Temporal Variations in the Valuation of Delayed Consumption

Elaine Chan (Yee Ling), PhD Candidate, Hong Kong University of Science and Technology, Department of Marketing, Clear Water Bay, Kowloon, Hong Kong - ROC, cylaa@ust.hk, Anirban Mukhopadhyay

This research investigates how the valuation of delayed consumption, of hedonic products such as theater and chocolate, varies with delay between choice and consumption. We conduct two studies involving scenarios (theater) and one study involving real decisions and real-time delay (chocolate). In this last study, we ask respondents to choose a chocolate bar, and then return to the lab after different time periods (one week, two weeks and one month, between subjects). When they return, they first provide their anticipated valuations of the hedonic consumption, then actually taste the chocolate bar and rate it accordingly. Across these three studies, we find that when individuals make their own choices they anticipate future consumption thereby reporting more positive evaluations if the delay between choice and consumption is relatively short. This effect is attenuated over longer delays, resulting in an inverted-U shaped relationship between valuations and length of delay. In contrast, when somebody else chooses the same option for the individual, the passage of time causes valuations to decrease. These effects are mediated by the extent to which respondents are intrinsically motivated towards the object of consumption. Further, we show that the anticipation effect occurs at the evaluation stage, rather than at the encoding state. Providing a reminder during the waiting period changes the pre-consumption evaluation, aligning it with evaluations made for a waiting period that corresponded with the timing of the reminder. Lastly, anticipatory increases in subjective valuations prior to consumption are found to have ironic negative effects on post-consumption satisfaction. Implications and directions for future research are discussed.

2 - The Role of Prior Choice and Subsequent Service Delay on Affect

Narayan Janakiraman, Assistant Professor, University of Arizona, 320 L McClelland hall, 1130 E helen Street, Tucson, AZ, 85721, United States, narayanj@mail.arizona.edu, Shankar Ganesan

Consumers often have to make choices among a set of wait options that vary substantially in terms of potential wait times. For example, airline travelers that are on standby during peak travel season could have several airline options and their decision to fly an airline could be based on their assessment of possible waiting times. Prior evidence (LeClerc et al 1995) suggests that when individuals are faced with such a choice, they usually select a less risky option i.e., an option that has lower variance. In this paper, we investigate the role of prior choice and the subsequent outcome of the choice (e.g., delay) on negative affect experienced by consumers. Recent evidence suggests that rejected prior choices are

sometimes sticky and can influence subsequent customer satisfaction (Carmon et al., 2002). Our results build on this effect, by studying how individuals include the unchosen option when faced with information about the performance of the chosen option. Specifically, we show that after choosing a more risk averse wait option and then experiencing the actual wait, individuals a) construct a mental scenario for the unchosen option and b) find reasons to explain the difference between the realized outcome and the unchosen outcome. Such attributions influence, both the perceived duration of the wait and the negative affect that results from the wait. Based on four experiments with consumers facing waits during the jury selection process, we show that attributions play an important mediating role in the effects of wait duration on negative affect. Our paper concludes with strong managerial insights related to the management of service failures that involve delay

3 - Discounting Pleasure? Lay Intuitions about the Value of Deferred Hedonic Experience

Anirban Mukhopadhyay, Assistant Professor, Hong Kong University of Science and Technology, Department of Marketing, Clear Water Bay, Kowloon, NA, Hong Kong - ROC, Anirban.Mukhopadhyay@ust.hk, Elaine Chan (Yee Ling)

This research explores the role of discounting as lay belief that people use to evaluate hedonic consumption at different temporal distances. The key insight is that people have an intuition that money in the future is worth less than money in the present, and they apply this intuition when evaluating future hedonic experiences in terms of monetary value. However, they are less likely to hold such intuitions for relatively unquantifiable measures of value, such as rated enjoyment. Hence future hedonic experiences are not discounted as systematically, unless other cues (such as variations in time, or a prior decision involving money) are salient. Across two experiments, we find that the use of discounting in a given situation depends on whether the type of measure used to evaluate a given experience evokes monetary considerations or not (e.g., willingness to pay versus enjoyment ratings) and on the nature of the temporal considerations involved (e.g., evaluate the delayed or the immediate consumption first). In one study, when people evaluated a hedonic experience (dinner) in terms of their willingness to pay, delayed consumption was valued less than immediate consumption, independent of order of elicitation. This is consistent with the application of a standard discounting calculus. However, a different pattern emerged when people evaluated the consumption in terms of enjoyment ratings, a more ambiguous metric. Here, delayed consumption was valued less than immediate consumption when people evaluated the delayed consumption first. In contrast, when people evaluated the immediate consumption first, the delayed consumption was actually valued more than the immediate consumption, thereby reversing the effect in line with our propositions.

■ FB05

Seminar Room 2.5 (Room 2012)

Special Session: The Effects of Marketing on Physician Behavior and Drug Sales

Chair: Stefan Stremersch, Professor of Marketing at Erasmus University Rotterdam (the Netherlands) and Visiting Associate Professor of Marketing at Goizueta Business School, Emory University, Atlanta, Georgia (U.S.), School of Economics at Erasmus University Rotterdam, Burg. Oudlaan 50, PO Box 1738, 3000 DR Rotterdam, ZH, Netherlands, stremersch@few.eur.nl

1 - Introduction to Special Session: Marketing and Health

Stefan Stremersch, Professor of Marketing at Erasmus University Rotterdam (the Netherlands) and Visiting Associate Professor of Marketing at Goizueta Business School, Emory University, Atlanta, Georgia (U.S.), School of Economics at Erasmus University Rotterdam, Burg. Oudlaan 50, PO Box 1738, 3000 DR Rotterdam, ZH, Netherlands, stremersch@few.eur.nl

A new field within marketing is developing that investigates "marketing of health". Several factors drive the development of this field. First, it is highly relevant to society at large, given the many people that deal with health issues every day, either as a professional, patient, or manager. Marketing of health influences people's day-to-day lives. Second, government plays an important role in regulating the health and life sciences industry, thus health marketing research can have strong public policy implications. Third, given the government's involvement in regulation, many processes at the patient, physician, provider, company or market-level are reliably and continuously documented. This provides the availability of high-quality databases. Fourth, given the size of the industry, resources for supporting research are available. The familiarity with experimentation in this industry also provides behavioral researchers with a potentially enabling research context. Fifth, initial work shows that these markets may be driven by mechanisms that do

not exist in other markets, such as residual ambiguity and the unique patient - payer - provider channel, to mention two of the most prominent ones. This special session illustrates high-quality research on the development of marketing science approaches to marketing of health issues.

2 - Investigating the Impact of the Pharmaceutical Manufacturer-Pharmacy Benefit Manager Relationship on Patient Welfare and Employers' Prescription Drug Costs

Ozden Gur Ali, Assistant Professor, Koc University, College of Administrative Sciences and E, Sariyer-Istanbul, IS, Turkey, oali@ku.edu.tr, Murali Mantrala, Burak Cavdar Oglu

In the US, many employers, e.g., local and state governments and corporations, looking for health care coverage for their employees, contract with a pharmacy benefit manager (PBM) to manage their employees' prescription drug treatment costs. A PBM's decisions with respect to formulary assignments of alternative drugs in a therapeutic category, and levels of influence exercised for and against physicians' prescription of these alternatives, have a significant impact on market outcomes for prescription drug makers, employers' health coverage costs and patient welfare. So far, however, these impacts of PBMs' actions have been largely overlooked in pharmaceutical marketing mix research studies despite the fact that many pharma companies' rebates or discount offers to PBMs represent a cash outflow that is greater than all their direct-selling expenses combined. In previous research, the authors have mathematically modeled and examined the role and impact of the PBM on the pharma manufacturers' optimal mix of push (rebates or discount offers to PBMs) and pull (detailing, DTC advertising) marketing efforts. The present research extends this work to examine the consequences from the perspectives of the PBM client, i.e., the employer, and their employees (patients) and the implications for employers' contract negotiations with the PBM. Specifically, considering the anti-cholesterol drug market and utilizing plausible model parameter values drawn from published empirical studies, the authors investigate analytically and numerically the equilibrium marketing mix behavior of competing pharma brands accounting for the profit-maximizing PBM's responses, and the associated therapy benefits and prescription drug costs for the employer and the patient. The insights derived are of value to employers contracting with PBMs as well as health policymakers.

3 - The Effects of Pharmaceutical Marketing Expenditures on Brand Sales and Firm Valuation

Jaap Wieringa, Assistant Professor, University of Groningen, Department of Marketing, P.O. Box 800, Groningen, GR, 9700 AV, Netherlands, j.e.wieringa@rug.nl, Ernst Osinga, Shuba Srinivasan, Peter Leeflang

Drug manufacturers spend vast amounts of money on marketing activities such as detailing, medical journal advertising and direct-to-consumer (DTC) advertising. Using Kalman filtering we test whether these expenditures lead to persistent and/or temporary brand sales effects. We develop a state space model at the brand level that accounts for endogeneity and allows for time-varying parameters. To account for endogeneity, we specify a system in which both the sales variable and marketing decision variables are endogenous. Long-term effects are accounted for via a time-varying intercept that follows a random walk with drift, where the drift depends on own and competing marketing expenditures. In this way, marketing efforts are allowed to have a persistent effect on sales. The short- and long-term coefficients of the marketing variables are modeled as a local linear trend. We estimate the model using monthly data of several drugs from many categories. We find both temporary and persistent effects for marketing instruments that are aimed at the physician (such as detailing and medical journal advertising), whereas the effects for DTC advertising are either limited or absent. What then is the rationale behind this seemingly contradictory investment in DTC? Our hypothesis is that, above and beyond the limited effect of DTC advertising on brand sales, DTC advertising has a direct effect on the investors' valuation of the firm as well as on the variability of this valuation. We develop a model capable of testing this hypothesis and apply it to data from various drug manufacturers. We compare and contrast the effects of marketing efforts aimed at the physician versus those of DTC on sales versus firm valuation.

4 - Physicians' Prescription Behavior Across Therapeutic Categories

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Significant advances have been made to the understanding of physicians' prescription behavior and their response to promotional efforts. Despite these advances, previous research has mostly studied physicians' drug choice behavior in a single therapeutic class: research has either studied prescription behavior of one single drug or of several competing drugs in a single category. As a result, not much is known about indi-

vidual physicians' drug choice across categories and how it is influenced by alternative promotional tools. For example, previous research has established that physicians exhibit state dependence in their choice at the brand or molecule level. Theories of consumer choice behavior and psychology also suggest that state dependence is an intrinsic behavior of individual decision makers, which would further suggest that physicians might exhibit state dependence not only at the brand level but also at the firm or manufacturer level across multiple categories. In addition, some promotional tools such as dine and wine meetings might have an effect on physicians' prescription behavior across therapeutic categories, whereas other tools, such as detailing, might only have an impact at the brand level. Capitalizing on a rich panel dataset of physician prescriptions and competitive marketing activity across therapeutic categories, we build an empirical model to understand (1) if physicians exhibit state dependence in choice at the firm level across therapeutic categories, and (2) if promotional tools influence their prescription behavior across therapeutic categories. Based on our results, we provide additional insights on physicians' prescription behavior and derive strategic implications for the management of promotional tools across categories.

5 - The Debate on Influencing Doctors' Decisions: Are Drug Characteristics the Missing Link?

Sriram Venkataraman, Emory University, 1300 Clifton Road, Atlanta, United States, svenka2@emory.edu, Stefan Stremersch

Decision-making by physicians on patients' treatment has come under increased public scrutiny. In fact, there is a fair amount of debate on the effects of marketing actions of pharmaceutical firms toward physicians and their impact on physician prescription behavior. While some scholars find a strong and positive influence of marketing actions, some find only moderate effects, and others even find negative effects. Debate is also mounting on the role of other influencers (such as patient requests) in physician decision-making, both on prescriptions and sample-dispensing. The authors argue that one factor that may tip the balance in this debate is the role of drug characteristics, such as a drug's effectiveness and a drug's side effects. Using a unique data set, they show that marketing efforts - operationalized as detailing and symposium meetings of firms to physicians - and patient requests do affect physician decision-making differentially across brands. Moreover they find that the responsiveness of physicians' decision-making to marketing efforts and patient requests depends upon the drug's effectiveness and side effects. The paper presents clear guidelines for public policy and managerial practice and envisions that the study of the role of drug characteristics - such as effectiveness and side effects - may lead to valuable insights in this surging public debate.

■ FB06

Seminar Room 2.6 (Room 2013)

Competing on Marketing Mix Elements I

Chair: Prasad A. Naik, Professor of Marketing and Chancellor's Fellow, Graduate School of Management, University of California Davis, One Shields Avenue, AOB IV, Room 151, Davis, CA, 95616, panaik@ucdavis.edu

1 - The Optimal Generic Advertising and Brand Advertising Strategies for Duopolistic Firms

Shan-Yu Chou, National Taiwan University, No.50, Lane 144, Section 4, Kee-Lung Road, Taipei, TW, Taiwan, chousy@management.ntu.edu.tw, Chyi-Mei Chen, Yong-Sheng Ku

This paper analyzes the optimal advertising and pricing strategies for duopolistic firms. We consider a market consists of consumers who are loyal to the two firms and switchers whose ideal points are uniformly distributed between the positions of the two firms. In the first stage, the two firms choose among three strategies: generic advertising, which expands the market, brand advertising, which converts part of switchers into loyal customers, and no advertising. After their advertising decisions, they compete in prices. Assuming the leading firm has the larger loyal base and the stronger brand than the second firm, we find the following results: (i) The second firm has stronger incentives to conduct generic advertising than the leading firm. (ii) If the number of new users created by generic advertising is large enough, even the leading firm will choose to conduct generic advertising when expecting his rival will not advertise. (iii) Though the effect that the weaker firm's brand advertising on expanding its loyal base is lower (than its rival) and reduced by its rival's brand advertising, if the advertising cost is low enough, the weaker firm may choose to conduct brand advertising when expecting its rival to do so.

2 - Making Consumers Jump through Hoops: Price Discovery and Retail Competition

Anand Krishnamoorthy, Assistant Professor, University of Central Florida, 4000 Central Florida Blvd., BA-2, 308S, Orlando, FL, 32816, United States, akrishnamoorthy@bus.ucf.edu, Preethika Suresh, Preyas Desai

Many consumer durable retailers don't advertise prices but instead ask consumers to call them to find prices. Similarly, online retailers frequently require consumers to add an item to the shopping cart in order to learn its price. Although these practices increase consumers' cost of learning prices, firms commonly employ them. Not advertising prices can perhaps reduce the firm's advertising costs, but the strategic effects of this practice are not clear. This paper investigates how making price discovery more difficult for consumers affects competing retailers' strategies. We develop a model in which a high-service retailer competes with a low-service retailer. Since consumers can benefit from the high-end retailer's service and purchase from the low-end retailer, the high-end retailer faces a free-riding problem. Retailers first choose whether to make price discovery costly for consumers and then decide their price and service levels. The model results in four structures: both retailers advertise prices, only low-service retailer advertises price, only high-service retailer advertises price, and neither advertises price. We find that when a retailer makes price discovery more difficult for consumers, competition between the retailers is less intense. However, the retailer is forced to charge a lower price. Moreover, if the competing retailer advertises price, it reaps most of the benefits of the reduced competitive intensity. We identify conditions under which each of the above structures is an equilibrium, and show that it is more likely for a low-service retailer to not advertise price. We then allow a manufacturer to adjust wholesale price and show that, under some conditions, the manufacturer can also be better-off when one retailer does not advertise price.

3 - Quality and Advertising in a Vertically Differentiated Market

Elie Ofek, Associate Professor, Harvard Business School, Morgan Hall, 195, Boston, MA, 02163, United States, eofek@hbs.edu, Zsolt Katona

In this paper, we examine firms' quality positions when consumers only consider purchasing products that they are aware of through advertising. Consumers compare the products they are aware of, and choose the one that maximizes their utility net of price. Firms choose product quality in a first stage, their advertising strategy in a second stage, and set prices in the last stage. Two forms of advertising are studied—blanket and targeted. Under blanket advertising, firms communicate to all consumers and the probability that each consumer sees an ad depends on the level of ad expenditure. We find that when blanket advertising is relatively ineffective, i.e., it is costly to ensure high consumer awareness, both firms will choose a low level of ad spending. This allows them to minimally differentiate in quality, without concern of intense price competition. When blanket advertising is very effective, the high quality firm chooses to expend heavily on advertising, while its rival chooses to differentiate with a low quality product and to expend less on advertising. In a mid range of advertising effectiveness, one firm chooses a high quality product, but because its rival positions close by, it selects a low ad expenditure to avoid competing fiercely in prices. Under targeted advertising, firms choose the specific segment(s) they wish to make aware of their product. We identify conditions such that both firms choose equally high quality products, but advertise to different segments. Interestingly, this can result in a middle pocket of unserved consumers, even though consumers with lower willingness to pay are served.

4 - Managing Corporate and Product Brands

Prasad A. Naik, Professor of Marketing and Chancellor's Fellow, Graduate School of Management, University of California Davis, One Shields Avenue, AOB IV, Room 151, Davis, CA, 95616, panaik@ucdavis.edu, Shuba Srinivasan, Kalyan Raman

Companies spend multi-million dollars annually on corporate and brand advertising. However, the extant marketing literature or textbooks do not inform managers on this important question: how should a firm optimally allocate resources to corporate versus product branding efforts? Consequently, we lack not only empirical knowledge on the elasticity of corporate advertising, but also normative understanding of the role of corporate advertising in budgeting and allocation decisions. Hence, we formulate a dynamic model of corporate advertising by multi-product firms, derive the optimal closed-loop equilibrium strategies for every brand, and design an appropriate Kalman filter to estimate the model using market data. Empirical results based on Ford Motor Company's automobile brands furnish evidence that corporate advertising generates goodwill, which increases both brand sales due to direct spillover effects and brand advertising effectiveness due to indirect spillover effects. In addition, normative results show that this distinction of direct and indirect spillover matters because their impact on budgeting decisions differs qualitatively. Specifically, as indirect spillover

increases, managers should increase the budget for both corporate advertising and brand advertising. In contrast, as direct spillover increases, corporate advertising budget increases, but not brand advertising. Furthermore, under some conditions, companies should allocate a non-zero budget for the brand's advertising even if its ads are completely ineffective. Finally, to address the controversy whether a company should use corporate advertising at all, we not only identify the necessary conditions, but also elucidate that corporate advertising and brand advertising are complementary activities to be integrated in the firm's communications mix.

■ FB07

Seminar Room 2.7 (Room 2014)

Behavioral Research in CRM

Chair: Manfred Krafft, Professor, Institute of Marketing, University of Muenster, Am Stadtgraben 13-15, Muenster, 48145, Germany, m.krafft@uni-muenster.de

1 - Optimizing CRM: Customer-Focused Capabilities in a Path-Dependent Organizational Setting

Oliver Arndt, Research Associate, University of St. Gallen, Dufour Street 40a, St. Gallen, SG, 9000, Switzerland, oliver.arndt@unisg.ch, Marcus Schoegel

Customer Relationship Management (CRM) is ranked as one of the most indispensable management tools driving a company's competitiveness. Yet organizations experience difficulties with the implementation of CRM as it entails major organizational, strategic and process-related changes. Most recent research claims that, e.g. organizational alignment or ex ante strategy definition are the main drivers for success. However, these explanations do not address the more fundamental question which capabilities are necessary to better execute, e.g. process-related changes, nor do they consider an organization's situational context when discussing CRM. Drawing on the resource-based view and the dynamic capability view of the firm (Hamel & Prahalad, 1990), we propose that different configurations of customer-focused capabilities are expected to be beneficial, depending on fundamental discrepancies within an organization's progression-path with regard to critical customer-related dimensions. Following Day's perspective on Market-Relating Capability (Day, 2000), a conceptual research framework is developed that emphasizes the implementation of CRM-concepts. Different starting points of organizations in CRM-adoption will be recognized, as firm-specific circumstances are regarded as a critical aspect within CRM. By looking at an organization's customer-focused capabilities within our conceptual research framework, we investigate how and which CRM-capabilities translate into superior performance in a situational context, thus contributing to the ongoing debate on how CRM can be applied more successfully. By means of the proposed conceptual research framework, specific implications shall be given for further marketing research regarding customer-focused capabilities in a situational context.

2 - The Study of Organizational Capabilities: A Perspective on Relationship Learning and Memory

Yi-Chun Hsieh, Lecturer/ Ph. D. Candidate, Ling Tung University/ Da Yeh University, No.1, Lingdong Rd., Nantun District., Taichung City, 40852, Taiwan, hsiehy@mail.ltu.edu.tw, Shyh-Rong Fang

In knowledge-based economy, knowledge is the motivation for sustainable competitive advantage. An effective organizational learning consists of learning competence and willingness. And the relationship among networking organizations is the key factor in facilitating the willing to share knowledge. Therefore, compared to traditional organizational learning, the relationship learning is a long-term learning process across organizations. Along with the development and prevalence of relationship learning, the relationship memory also draws comparable attention for cumulating interorganizational relational capability. Therefore, this study examined the impact of relationship learning and memory on intraorganizational learning and interorganizational relational capabilities. Recently, scholars assured the influence of relationship on the learning of small-scale business (Gibb, 1997; Hoang & Antoncic, 2003). Since the economy in Taiwan is primarily composed of small- and medium-scale businesses (97.8%), we focused our investigation on the firms which have signed the contract with the Incubation Centers for Small and Medium Enterprise Administration, Ministry of Economics Affairs in Taiwan. From June to July 2006, a total of 550 questionnaires were distributed, and 249 effective samples were collected. The findings as follows, 1. Relationship learning and (1) intraorganizational learning, (2) interorganizational relational capabilities are significantly positive relationship separately. 2. Relationship memory positively moulds intraorganizational learning and interorganizational relational capabilities. 3. Interorganizational relational capability is positively related to intraorganizational learning capability.

3 - Customer's Willingness to Reactivate a Former Relationship

Manfred Krafft, Professor, Institute of Marketing, University of Muenster, Am Stadtgraben 13-15, Muenster, 48145, Germany, m.krafft@uni-muenster.de, Doreén Pick

During the last few years there has been an increased interest in regaining lost customers. As regained customers are often characterized by their low sensitivity to price, higher sales, a longer post-reacquisition relationship with the firm, an opportunity to win back lost customers is of crucial importance. This study is therefore focused on antecedents of customers' willingness to reactivate former relationships, return intentions and the activities company should undertake to regain lost customers. To the best of our knowledge, there is no empirical research that focuses on the effects of customer characteristics (e.g., satisfaction, variety seeking) and former relationship characteristics (e.g., relationship duration, attributional cognitions) with regard to the willingness to reactivate a relationship with a firm. In our empirical work, we intend to investigate under which conditions customers are willing to rebuild their contractual relationship with a German publishing house. In the spring of 2006, we pre-tested our model and the hypotheses in a survey of students at a German university, and reworked the variables for our final survey. After the implementation of a customer survey in October 2006 with 553 usable questionnaires, we examined a combination of a 2x3 between-subjects' factorial design experiment and a four-group Solomon design to test customers' behaviour after relationship termination and company win-back activities. The research project is positioned as a contribution to the better understanding of consumer behaviour and examines the link between predispositions, company stimuli, intentions and consumer behaviour (return or not).

■ FB08

Seminar Room 2.8 (Room 2015)

Channel Contracts & Coordination

Chair: Udatta Palekar, Associate Professor, University of Illinois at Urbana-Champaign, 350 Wohlers Hall 1206 S. Sixth St., Champaign, IL, 61820, United States, palekar@uiuc.edu

1 - Without Loss of Generality: Simplifying Assumptions in Game-Theoretic Models of Distribution

Charles Ingene, Distinguished Chair of Business Administration, The University of Mississippi, P. O. Box 1848, University, MS, 38677, United States, cingene@bus.olemiss.edu, Mark Parry

Simplifying assumptions that are used to expedite solving mathematical models are often described as "without loss of generality." We address four simplifying assumptions that are frequently employed in game-theoretic models of distribution channels: a) Constant channel breadth: either bilateral monopoly or multilateral monopoly. What is rarely asked is the conditions for which it is in a channel leader's interest to sell through one, or more than one, distributor. b) Equal demand for all members at the same channel level. What is rarely asked is whether the same results would obtain in a model in which demand differs across channel members. c) Equal (often zero) variable costs across all members at a channel level. What is rarely asked is whether differences in variable costs would affect the results. d) Equal (often zero) fixed costs for all members at a channel level. What is rarely asked is whether fixed costs themselves, or differences in fixed costs, would affect the results. We use a linear-demand model to answer these rarely asked questions. We show that the leader's optimal channel breadth is materially affected by any equal (but non-zero) fixed cost; and by any inequality of demands, variable costs, or fixed costs. We also demonstrate that channel coordination, which is always optimal in a bilateral monopoly, can only be optimal for a multilateral monopolist if its followers incur unequal fixed costs. Even when this condition is met, there are always parameter values for which the channel leader is opposed to channel coordination.

2 - Optimal Buy-Back Contracts with Asymmetric Information

Qiang Gong, Dr., Peking University, China Center for Economic Research, Peking University, Beijing, 100871, China, qgong@ccer.pku.edu.cn

When demand is uncertain and it is costly for the retailer to forecast demand information more accurately, the supplier faces moral hazard problem to induce the retailer to forecast more accurate information which will improve the total profit of the supply chain. This paper provides a theoretical analysis on the optimal buy-back contract, in which the supplier chooses the wholesale and buy-back price to maximize his profits given that the retailer's inventory order level and private information acquisition decision are both chosen to maximize the retailer's profits. In contrast to the standard buy-back contract model in which the first best of the system can always be implemented, our model suggests that the supplier pays not only the cost of acquiring information, but also the information rent to induce the retailer to invest in acquiring

information. Consequently, the first best of the system cannot be always implemented. Our model explains that the Vendor Managed Inventory systems are prevalent while the retailer is better informed than the supplier. Nevertheless, the standard buy-back contract theory contradicts with the empirical facts.

3 - Relational Contracting and Asset Specificity in Marketing Channel

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The purpose of this paper is to explain how manufacturers and distributors sustain cooperative relationship without formal contracts. Such relationships called "relational contracting" have been addressed through both Transaction cost analysis and Relationship marketing perspectives. However both research streams have failed to fully answer that issue. To address this deficiency, we develop a model using repeated game theory. In each game of our model, it is assumed that the distributor has an incentive to use his/her assets for other manufacturers, whereas the manufacturer has an incentive to "hold up" the distributor. If they play a one-shot game, they defect from each other. However, if they play the game repeatedly, along with a sufficiently high discount rate, cooperative behavior emerges. We obtained the Nash equilibrium conditions under which two channel members sustain relational contracting. Two factors affect the relationship: First, the asset specificity of the distributor decreases the minimum discount rate necessary for the manufacturer to choose cooperation. Second, the opportunism of the distributor increases the minimum discount rate for him/her to choose cooperation. The results of our empirical analysis supported that (1) a manufacturer regards the long-term benefit of cooperation as more important than the short-term benefit of defection when the distributor has higher asset specificity even if the discount rate is lower and (2) a distributor prefers defection to cooperation when he/she is relatively opportunistic even if the discount rate is higher. We believe that these insights will be important in further understanding cooperation in marketing channels.

4 - Channel Coordination for Collaborative Adoption of Information Technology

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Jongkuk Lee

Information technologies to track and trace product flows play an important role in addressing two important concerns of today's complex supply chain: improving the efficiency of product flows; and maintaining the security of supply chain from the risk of product contamination. In spite of their potential value, information technologies are not always adopted as expected. We examine supply chain coordination problem between a manufacturer and a retailer to jointly adopt a new technology and realize its potential value. Interestingly, our analysis shows that different coordination issues arise from the relative strength of efficiency and security concerns in a decentralized supply chain: When efficiency is a primary concern, there is a risk of underinvestment by one party and overinvestment by the other party due to interest conflicts in adopting technology. In contrast, with a primary concern about security, there can be a coordination problem resulting from the behavioral uncertainties of other supply chain members rather than their interest conflicts. Finally, with concerns about both efficiency and security, there is a risk of underinvestment by both parties. In response to those coordination issues, we analyze alternative incentive mechanisms to coordinate collaborative technology adoption: The optimal adoption to improve the efficiency can be coordinated internally within a supply chain by using incentive such as the increase of purchasing quantity. In contrast, the optimal adoption for the security or for both of them may not be achieved internally, requiring further incentive or coordination from outside such as tax incentive or mandate by a central authority.

■ FB09

Seminar Room 3.1 (Room 3001)

Experimental Choice Models

Chair: Jordan Louviere, Executive Director, Centre for the Study of Choice, University of Technology Sydney, PO Box 123, Broadway, NS, 2007, Australia, jordan.louviere@uts.edu.au

1 - Comparing Experimental Choice Models Across Decision States

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David Waller, Harmen Oppewal

The process of consumer purchase decision making for new "high-involvement" products is typically conceptualized as a progression of different decision states (eg, Engel, Blackwell and Kollat, 1978; Howard and Sheth, 1969; Urban, Hauser and Roberts, 1990; Urban, Hulland and Weinberg, 1993). These states begin with awareness, eventually resulting in decisions to purchase or not. In between consumers can be "in the market", accumulating product information before making their final purchase decision whether and what to buy. While many studies have dealt with aspects of this broad conceptualization only few seem to have investigated consumer transitions between states and their effects on product preferences. This paper will present results from a study investigating consumer preferences for one new product, DVD recorders. Over one thousands respondents from a large consumer panel participated in a survey and choice experiment regarding DVD recorders. Measures regarding product interest and knowledge allowed classifying respondents into different decision state categories. The choice experiment allowed estimating models for each of the various decision states. A comparison of random coefficients models estimated for the different decision states reveals how attributes have different effects on utility in the different states. The experiment also manipulated the amount of product information available to the respondent, allowing for additional tests of decision state differences. Preliminary results indicate significant differences in preference and intended information search for the different decision states.

2 - Modeling the Latent Preference Structure Implied by Discrete Choice Experiments

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Applications of discrete choice experiments to study consumer choice behavior have grown significantly over the past decade. Typically, discrete choice experiment data are analyzed using McFadden's Multinomial Logit (MNL) model or a more sophisticated extension that relaxes some of MNL's restrictive assumptions. Advantages of MNL for analyzing discrete responses are well-known to marketing academics and practitioners, but arguably the latent preference structure that explains discrete responses has yet to be clearly articulated. For example, integration of latent variable systems and discrete choice experiments has several advantages. First, it is possible to model the variances associated with consumers' discrete choices by introducing latent preference variables, which can provide useful information on the consistency of consumers' choices. Second, one can specify fully generalized models whereby brand characteristics explain variation in consumers' latent brand preferences to provide insight into processes that drive consumers' preferences. Third, the resulting latent variable systems generalize to all of the characteristics of brands one chooses to study. We illustrate the integration in an application to consumer preferences for brands in the "last minute" hotel accommodation market. For convenience, we use Joreskog's LISREL model to fit the latent structure, although other latent variable systems are considered. The study has immediate implications for researchers analyzing stated preference data, with additional implications for potential applications to revealed preference data.

3 - Choices of Single Individuals by Combining Choice Experiment Designs and Extra Pref Information

Jordan Louviere, Executive Director, Centre for the Study of Choice, University of Technology Sydney, PO Box 123, Broadway, NS, 2007, Australia, jordan.louviere@uts.edu.au, Towhidul Islam, Nada Wasi

We show how to combine highly statistically efficient ways to design discrete choice experiments based on random utility theory with new ways of collecting additional information that can be used to expand the amount of available choice information for modeling purposes. The advantage of being able to model individuals is that can avoid the need to make assumptions about empirical distributions of preference parameters currently required in complex statistical choice models like random coefficient models. Naturally, one would like to test and compare this new totally disaggregate approach with more traditional approaches that rely only on first choice information from samples of people. We present results from an analysis of two product categories (Pizza and Juice) with varying number of options (3 choice + No Purchase, 5 Choices+ No Purchase) and varying numbers of attributes. We show that individual model estimates explain all the variability in the first choice data. We also report the effects of including/excluding some of the attributes on the estimated model coefficients.

■ FB10

Seminar Room 3.2 (Room 3003)

Private Labels

Chair: Qin Zhang, Assistant Professor of Marketing, University of Texas-Dallas, 2601 N. Floyd, Richardson, TX, 75080, United States, zhangqd@yahoo.com

1 - How to Make Your Customers Pay for Private Labels

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Private labels are more and more used to differentiate assortments and store images in order to enhance repeat buying and customer loyalty. Such a strategy, however, only works if private labels enter consumers' consideration sets. Although retailers increase their marketing efforts, private label shares as well as price gaps to national brands vary heavily across different categories. Contrary to widespread expectations correlations between national brand price premiums and private label shares are not positive. Thus, the question of how to motivate customers to consider private labels remains open for most categories. The answer to this question is fundamental to all private label strategies. This paper, therefore, investigates how to use brand, category, retailer and consumer characteristics in order to increase private label acceptance by analyzing private label willingness to pay (WTP). We show that customers' willingness to pay is determined within two sequential decisions. The first decision determines whether or not a consumer considers a private label at all. If a private label is regarded as an appropriate alternative, WTP is determined in a second step. Allowing these two decision steps to be influenced by different factors, we analyze consideration set formation and WTP determination separately. Our results show that basic brand criteria are more important to the first decision (consideration set formation). Once they are satisfied more sophisticated brand features come into play in the second step (WTP determination). We furthermore find that a retailer's trustworthiness has a positive effect on the decision whether or not to consider his private labels.

2 - Consumer Learning about Store Brands

Deanna Wang, Assistant Professor, San Francisco State University, College of Business, 1600 Holloway Ave, San Francisco, CA, 94132, United States, wangh@sfsu.edu

Store brands, or private labels are the brands owned and marketed by retailers. As large, centrally managed retailers such as Wal-Mart gain power, so is the importance of their store brand strategy. With lower overhead and marketing costs, retailers obtain 10% to 20% higher margins on private versus national label items. Besides higher margins, private labels also offer retailers local exclusivity. A trusted premium store brand can help differentiate a retail chain from its competitors. Therefore, retailers have begun to emphasize the store labeled brands at the expense of second and third tier national label brands. Considering that store brands do not have unique identities and distinct positioning, it is not clear whether and to what extent consumer learning about the quality of store brands can transfer across product categories. For instance, do positive product usage experiences of the store brand in one category have spillover effects on quality perception in other categories? Also, how does the degree of learning differ across retail channels? By exploiting a rich panel dataset in two retail channels, we develop a Bayesian learning model to examine how consumers learn about quality of store brands from experiences across categories and channels. The results can further our understanding in consumer learning behavior about store brand quality. Furthermore, retailers may segment consumers on the basis of learning and quantify the impact and duration of marketing activities across different segments.

3 - Why do Consumers Shop Around But Not for Some Categories?

Qin Zhang, Assistant Professor of Marketing, University of Texas-Dallas, 2601 N. Floyd, Richardson, TX, 75080, United States, zhangq@utdallas.edu, P.B. Seetharaman, Manish Gangwar

In a recent scanner panel data, which contains household purchases in multiple categories in multiple grocery stores over a period of one year, we observe that 99% of the households shop at more than one store. However, among those households who shop at multiple stores, every household has made all its category purchases (for at least one category) in the same store for the entire period considered. This interesting observation prompts us to study another type of purchasing behavior that is not very well studied in the literature: store-category loyalty. We propose a model to investigate the factors that affect a household's decision to make category purchases exclusively in one store. We examine this behavior from three aspects: (1) store characteristics, that includes the measures of price advantages and assortment advantages that a store has over other stores for a given category as well as whether the store carries private label brands in the category; (2) category characteristics,

that includes the measures of importance of a category to a household; (3) household characteristics, that includes the measures of a household's familiarity to a store. Further, observed and unobserved household heterogeneity is taken into account for the variations in household responses. Our empirical analyses show that charging a lower category price or carrying more unique products in the category is more likely to induce store-category loyalty while merely carrying more products or providing the option of private level brands does not contribute households' store-category loyalty. We also find that a household's familiarity to a store positively affects its store-category loyalty, but the importance of a category to the household has mixed effects, which vary across stores.

■ FB11

Seminar Room 3.3 (Room 3005)

Pricing VI

Chair: Dmitry Shapiro, Assistant Professor, University of North Carolina, 9201 University City Boulevard, Charlotte, NC, 28223, United States, dashapir@email.uncc.edu

1 - Studying Online Retail Market Structure: The Tradeoff Between Pricing and Service Quality

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In this paper we study the tradeoff made by online retailers between service quality ratings (given by online consumers to retailers) and the pricing strategies of retailers. The result of these retailer strategies is online price dispersion in a number of product categories for which there is significant online purchasing. Drawing on recent developments in the economics literature, we estimate a model for retailer price choices in the online camcorder industry using a nested fixed point algorithm solution. We estimate the model on a unique dataset of online retailers of camcorders, and employ both classical optimization and evolutionary (genetic) algorithm optimization in obtaining the estimates. We find that in general higher service quality retailers charge higher prices, thereby leading to online price dispersion. The extent to which a retailer charges higher prices for a product however depends on the scope for service quality differentiation in the market. Our study illustrates the tradeoffs retailers make between strategic decisions such as the level of service quality and tactical decisions such as the price for each product.

2 - Implications of Market Share and Quality on Neighborhood Price Effects

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Marketing literature has heavily focused on the effects of sales promotions on brand switching. This study focuses on the empirical generalization of the neighborhood price effect (Sethuraman, Srinivasan, and Kim1999). However, following the works of Bronnenberg and Wathieu (1996), Sethuraman (1996) and Wedel and Zhang (2004), the two most important intervening variables that may influence the neighborhood price effect can be market share and quality. Based on this, the effect of market share and quality of the competing brands on the neighborhood price effect of a focal brand is investigated. The possibility of the existence of the neighborhood share (which imbibes the idea of market power notion) and quality effects is also explored. The main contributions of this paper are as follows: (1) From the academic perspective, this study addresses the contradictory proofs related to the neighborhood price effects and explores the existence of the neighborhood share and quality effects. (2) From the managerial perspective, insights based on the hierarchical dominance of the variables of market share, price and quality on the neighborhood effects are explained.

3 - Stability of Price Discrimination with Rationed and Non-Rationed Deals under Endogenous Leakage Rate

Aharon Hibshoosh, Professor, Department of Marketing/ DS, College of Business, San Jose State University, One Washington Square, San Jose, CA, 95192, United States, rhibshoosh@gmail.com, Uri Ben-Zion, Uriel Spiegel

A profit maximizing monopoly is implementing a price discrimination policy with either rationed or non-rationed deal. In a rationed deal, the firm decides on the full (list) price, the discount depth and the limit on the number of items per deal instrument (say, coupon) per customer. The full price upper market segment of the price discrimination policy is not sealable. Its downward leakage is endogenous, increasing with the discount depth. The Price discrimination process may be viewed as "an implicitly repeated game" between a firm offering the discount based on the leakage rate and the entering consumers for whom the discount was

not intended. With interest in viability and stability of the price discrimination process, I.O. and marketing scholars have regarded modeling this setting as salient, but technically difficult. We constructed the first models of this setting. We explore game equilibria for rationed and non rationed deals, each with and without firm's foresight (corresponding to the Stackelberg and Cournot models). To illustrate the type of results, consider a "game" with zero conjectural variations. In this case, the firm's conditional optimal discount as a (reaction) function of the leakage rate is convex for rationed deal and concave for the non rationed deal. Ergo, in the space of the consumers aggregate's reaction functions, the feasible region for which stable equilibria (local or global) exists for rationed deal dominates (contains) the one for the non rationed deal. Furthermore, for parametrically corresponding stable equilibria, list prices are lower and discounts are higher, for the rationed deal as compared with the non rationed deal. Our framework assumes a uniform distribution of reservation prices, linear demands with identical slopes, either conditional or non conditional simultaneous optimization of the decision variables, and constant discount elasticity reaction functions for the consumers' aggregate, with minimal parametric restrictions.

4 - Market Segmentation: The Role of Opaque Travel Agencies

Dmitry Shapiro, Assistant Professor, University of North Carolina, 9201 University City Boulevard, Charlotte, NC, 28223, United States, dashapir@email.uncc.edu

This paper investigates the role of discount travel agencies such as Priceline and Hotwire in the market segmentation of the hotel and airline industries. The distinct feature of these agencies is that they conceal important characteristics of the offered services, such as hotel locations or flight schedules. We show that this opaque feature enables service providers to price discriminate between those customers who are sensitive to service characteristics and those who are not. Service providers can profit from such discrimination despite the fact that the opaque feature virtually erases product differentiation and thus intensifies competition. The reason is that the intensified competition for less sensitive customers enables service providers to commit to a higher price for more sensitive customers, which leads to higher profits overall. This explains why airlines or hotels are willing to lose the advantage of product differentiation and offer services through discount travel agencies. It also gives a new story of how the Internet can reduce competition.

■ FB12

Seminar Room 3.4 (Room 3007)

Branding in Global Contexts

Chair: Tammo Bijmolt, Professor, University of Groningen, Department of Marketing, P.O. Box 800, Groningen, GR, 9700 AV, Netherlands, t.h.a.bijmolt@rug.nl

1 - Building the Country Brand from Inside - Romania's Case

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This paper studies the concept of nation (country) branding and its relation with another interesting concept - internal branding. It presents a theoretical framework for nation branding - the main elements influencing the brand image of a nation, the components of the country brand, the country brand building process etc. The role and importance of internal branding in the process of building the country brand is debated. The paper suggests that a country brand must always be built from inside - every person must live the brand, must be the ambassador of the national brand. The results of a research concerning Romanian national identity, Romanians' view about their country, about the Romanian people and the Romanian products are also presented. All the concepts referring to internal branding within the larger process of national branding are applied to the specific case of Romania.

2 - City Identity Through Traditional Markets: A Study of the Branding Practices of 35 Traditional Markets

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The practice of building an identity of a city is increasing, yet there is a paucity of published research on the topic. This paper reports on a qualitative study of "traditional markets" in Bandung, Indonesia which sought to explore the role which traditional markets plays in the marketing of these locations as an identity of a city. The paper particularly aims to explore a major issue in branding the markets; it predominantly discusses how traditional markets build an identity of a city in a way

that makes a strong connection between its customers and their perceptions. Using qualitative research methods, three different stakeholders as well as various tangible assets of the 35 traditional markets were interviewed and investigated. Furthermore, a process model is developed that explains how a historical 'name' of traditional markets shaped the identity of a city. Balmer's ACID test of corporate identity is applied to identify the perceptions of the three targeted stakeholders about actual identity, communicated and conceived identity, and desired and ideal identity of traditional markets as the identity of the city. This analysis points to the need for positive physical change, such as an improved built environment in the traditional markets. The result of the study may have value for policy-makers in Bandung, Indonesia and elsewhere who seek to improve the decision of building the identity of a city. This research may also help to promote a straightforward approach towards branding a city as well as providing the potential for an enhanced brand value. This qualitative research has raised several key questions and several limitations for further study. Moreover cities can be seen as highly complex identity that are constantly changing and less well defined as well as more difficult to control than those in the corporate domain. However there are indications that it is possible to examine the traditional market as an identity of a city using Balmer's ACID test of corporate identity for analyzing a city as perceived by different stakeholders.

3 - Brand Knowledge Structure and Its Marketing Managerial Implications in Chinese Context

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In 2006, the brand of "China Mobile" (worth \$39.2 billion) was ranked the fourth in the world, according to the BRANDZTM brand equity measurement by the European brand consulting company Millward Brown. Also in recent years, Chinese companies such as Lenovo, TCL have bought overseas brands. This has resulted in considerable interest in how brands create value and the nature of brand equity amongst industry analysts and business academics in China. We report study that explores the nature of brand equity and the brand knowledge maps for Chinese consumers. The research involved 50 consumers who participated in focus groups undertaken three cities in Beijing, Shanghai and Guangzhou. Based on the analysis of the discussion from the focus group participants a model of the brand knowledge among Chinese consumers was developed. We compare findings with the research results of Western markets. In the Chinese market there were particularly strong associations between the brand and quality assurance, the company reputation and country associations. Also important were social aspects of the brand and the image or "face" is associated with the brand. We conclude by discussing the implications for executives and academics such as developing a quantitative model to test and validate our conceptual model in the future research.

4 - Stakeholder Relationship Management: Social Dimensions in the Creation of Brand Equity

Tammo Bijmolt, Professor, University of Groningen, Department of Marketing, P.O. Box 800, Groningen, GR, 9700 AV, Netherlands, t.h.a.bijmolt@rug.nl, Anna Torres, Jose Tribó

Recent literature has conceptualized brands as a complex social phenomena. In this perspective, brand equity should be related not only to customers and shareholders, but to a wider range of stakeholders such as suppliers and employees. Then, stakeholder relationship management, not just customer relationship management, should result in the creation of brand equity. We conducted a study using of panel data composed of 667 industrial firms from 27 different countries included in the 2002 SiRi Global Profile database, as compiled by the Sustainable Investment Research International Company (SiRi). The profile of each firm contains over 199 items that cover all major stakeholder issues, such as: community involvement, environmental impact, customer policies, employment relations, human rights issues, activities in controversial areas, supplier relations, and corporate governance. We focus on seven stakeholders, namely: community, suppliers, employees, shareholders, customers, general environment, and the overall ethic stance. Additionally, we complement the database with brand equity information obtained from Interbrand. Next, brand equity is analyzed using panel data models as a function of the degree of relationship management for each of the stakeholders. Some of the results that we found are the following: First, the most important direct effect on brand equity corresponds to the general environment. Second, both suppliers and customers have a significant positive relationship with brand equity.

■ FB13

Seminar Room 3.7 (Room 3026)

Outcomes of Social Networks

Chair: Khim Yong Goh, Asst Professor, National University of Singapore, 3 Science Drive 2, Singapore, 117543, gohky@comp.nus.edu.sg

1 - The Economic Utilization of Intrapersonal Communication

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The contribution of the personal-communication (PC)-process or "word-of-mouth" (WOM) -as it was called- to the success of marketing of a product has already been well studied. Two main functions were identified, i.e. (1) spreading information of a product from customer to other costumers and (2) influencing the behavior of other consumers as well. There are at least three major elements that anchor the personal communication, i.e. (1) communicator (such as opinion leader, innovator and market maven), (2) receiver and, (3) communication-situation. Many salient antecedents determine the success of a personal communication. However, apparently, a research focusing on the economic impact of such PC especially for low-involved product categories such as food and beverage products is absent. Therefore, this article is designed with a major aim to understand and deliberately present the economic utilization of a PC especially concerned with low-involved products. Our study has shown that besides the above mentioned basic functions a PC may have some plausible economical impacts on price-sensitivity/price elasticity of demand, purchase quantity, brand choice, and brand-community. Finally, the economic role of a PC can also be developed based on the value of PC as multiplier-effect mediator particularly in the context of the consumer-life-time analysis. Moreover, our study showed that due to the different characteristics of communicator sources opinion leaders, early purchasers and market mavens may have individual discrete platforms for contributing to the PC-flow process. For marketers our study will confer some ideas concerning the value of pursuing personal communication based communication strategy.

2 - Customers' Word-of-Mouth Intentions and Behaviors as Predictors of Suppliers' Business Performance

Gina Pingitore, Chief Research Officer, J.D. Power and Associates, 2625 Townsgate Road, Westlake Village, CA, 91361, United States, Gina.Pingitore@jdpa.com, Neil Morgan, Lopo Rego, Adriana Gigliotti

It is a generally accepted marketing principal that a firm's business performance is driven, in part, by its customers' word-of-mouth (WOM) opinions and recommendations. In fact, there appears to be a growing belief among managers that WOM intention is the only customer feedback metric that predicts a firm's business performance. Yet, there has been remarkably little empirical examination of this assumption and the most widely cited evidence to support the assumed WOM-business performance relationship consists of anecdotal single-industry case studies and the outcomes of simple correlation studies reported by consulting firms. In this paper, we systematically examine the relationship between a number of WOM-related variables and firms' business performance outcomes. Using data from JD Power and Associates we build on previous consumer-level WOM studies and extend recent firm-level findings to contribute three new significant empirical insights. First, we examine various WOM intentions and behaviors and link them to firm-level business performance. This provides the first empirical test of the widely reported claims of a relationship between consumers' intentions to recommend a firm's products/services and the firm's financial performance. Second, we compare WOM intentions as predictors of supplier financial performance with actual reported WOM behaviors. This extends the examination of consumers' WOM behaviors from those indicated by complaining behaviors to include those indicated by stated recommendations. Third, we examine key boundary conditions that may be expected to affect the relationship between customers' WOM intentions and behaviors and firm-level performance outcomes.

3 - Customer-to-Customer Interactions in Service Encounter - An Interpersonal-Attraction Perspective

ChunMing Yang, PhD Candidate, National Sun Yat-Sen University, PO Box 59-5, Kaohsiung Postoffice, Kaohsiung, 804, Taiwan, p924010018@student.nsysu.edu.tw, Jacob Y.H. Jou, YiFen Liu

This article studies the relationships between customer-to-customer interactions (CCI, manipulated as interaction partner's product appraisals) and target customer's purchase intention in a retailing setting. Different from the literatures, this study also emphasizes the critical role of partner's characteristics (manipulated as physical attractiveness). The theoretical foundation of this article comes from the well-grounded interpersonal attraction researches in social psychology. The authors developed several hypotheses and conducted a 2X2 full-factorial

design to verify these hypotheses. The results show that there is a significant interaction effect between partner's product appraisal and partner's appearance attractiveness on informants' purchase intention. Informants under negative-appraisal situations possess similar medium purchase intentions, regardless partner's physical attractiveness. Interestingly, informants under positive-appraisal conditions have dramatically different reactions. Positive appraisal from a good-looking partner will induce highest purchase intentions. However, positive appraisal from a not-so-good-looking partner will induce lowest purchase intentions. Interpersonal attraction is a significant mediator in the relationships. Moreover, the influence size of CCI on informants' purchase intentions depends on informants' interpersonal attraction evaluation toward their partner. This research has several academic contributions. First, it's the first study which empirically considers the effects of interaction partner's characteristics. Second, this study provides an interpersonal-attraction perspective for understanding CCI, which is different from most existing literatures. This study also supplies practical implications.

4 - Market Mavens and Online Word-of-Mouth: Evaluating the Impact on Consumer Purchase Behavior

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With the ubiquity of Internet e-commerce, consumers can now easily exchange opinions and information on companies, products, and services. This has led to the creation of many consumer-related online word-of-mouth (WOM) communities that consumers join to share prior product consumption or shopping experiences. This research focuses on data from an online bargain deal sharing and discussion forum with about 370,000 members. We evaluate the peer-to-peer influences and ratings of market mavens (Feick and Price 1987) - individuals who act as opinion leaders and whose influences extend across product categories and stores - on other consumers' purchase behaviors and forum participation responses. Specifically, we evaluate these research questions: i) How can one quantify the influence of an individual in an online social or information networking context? ii) What is the relationship between measures of an individual's informational contribution, influence and the resultant impact on other consumers' purchase behaviors? Our data consists of 8,738 discussion threads and 239,516 posts about bargain deals in an online discussion website. Measures derived from discussion threads include the number of views and replies that a thread has generated, the existence durations and the peer-to-peer ratings of a thread. To evaluate our research questions, we propose a simultaneous equation model of the number of consumer purchases (resulting from online WOM) and the peer-to-peer ratings of discussion threads in order to account for the endogeneity of the number of purchases and peer-to-peer ratings of discussions. Our empirical model also controls for the effects of product price and category, sales channel, and promotion type. Results and implications will be further discussed.

■ FB14

Seminar Room 3.8 (Room 3028)

Practical Issues Partnerships

Chair: Michele Costabile, Professor, SDA Bocconi, Via Bocconi, 8, Milan, 20136, Italy, michele.costabile@sdbocconi.it

1 - Getting to Authenticity: Table-Stakes Philosophy of Modern Branding & an Overview of Commitment Marketing

Eric Stempinski, One Marketing Group, 39 Autumn Lane, Burlington, VT, United States, eric.stempinski@one-marketing-group.com

In the hyper-competitive "brandscape" of today's globalized economy, contemporary marketing has come full-circle to mandate more trusting and transparent relationships between brand and consumer. Today's time-, financial-, and attention-pressed consumers demand authenticity and meaning. They demand this not only within their lives and in their relationships with family and friends, but within their brands as well. However, most relationship marketing initiatives have become a zero-sum game, filled with frustration and irrelevance for 2 main reasons. One, because the industry has lacked a "lighthouse architecture" that helps companies to properly define relationship marketing's role within a brand's overall communication compendium. And, two, because the industry has lacked a template framework for the initiation, nurturing, and sustainability of that relationship! Enter Commitment Marketing: Conscience. Conversation. Community. Collaboration. An interdependent set of brand variables, the 4Cs are a clearly-defined archetype of "commitment" that helps companies to systematically "catalog" seemingly perfunctory brand practices into a structured set of communication guidelines. This cataloging provides an internal clarity that then enables companies to more effectively promulgate a consistent "brand voice" of commitment to consumers. From Spyker Cars and Kelly Clarkson to the

global streetwear industry and the Theatre of the Oppressed, this presentation provides a contemporary analysis of collaborative commerce and equips marketing managers with a tactical-level compass to guide them into more authentic and meaningful profit-driven connections with consumers.

2 - The Kingdom of Fandom: The Identification Process of Consumers Toward Human Brands

Tsui-Ju Huang, Graduate Student, Department of Marketing and Distribution Management, National Kaohsiung First University of Science and Technology, 2, Juoyue Rd., Nantz District, Kaohsiung, 811, Taiwan, cyhg11@ms58.hinet.net, Chi-Tsun Huang

The need to further understand human brands has retained much attention both in marketing practice and academic research for their great value to the organizations either as the bridge to other inanimate brands or as the target of communication effort per se. By doing intensive interviews with 15 devoted fans of a famous Taiwanese pop singer in a qualitative manner along with content analysis of messages from online fan clubs, this research sets out to illuminate the consumer identification process toward human brands and the long-term transitional patterns of consumer devotion. Three main research questions emergent in this research are (1) how consumers can reach a level of strong commitment and loyalty and how they struggle to maintain their identity as "devoted" fans; (2) what customer value (economic value, symbolic value, social value, experiential value, or hedonic value) does the fans obtain by being the devoted fans?; and (3) as time passes by, how do consumers' attachments to a certain human brand influenced by marketing activities and social forces; parents, fan peers, non-fan peers, media and marketing organizations to set up the socialization, and under enlightenment of the self identity? Using the metaphor of kingdom to parallel the phenomenon of fandom, the research also explicates the importance of initial brand position, and the construction and expansion from the core castle, the core positioning of the human brand, to become a kingdom where devoted fans swear to be loyal to the human brand and cross-buy the derivative products of the latter.

3 - Competitive Convergence: Construct Definition and Measurement.

Michele Costabile, Professor, SDA Bocconi, Via Bocconi, 8, Milan, 20136, Italy, michele.costabile@sdaibocconi.it, Fabio Ancarani

During the last few years the competitive landscape has dramatically changed in many businesses. The conventional boundaries between industries and firms are fading. Convergence is the process by which the boundaries across industries or businesses or markets or geographies or customer experiences become blurred, resulting in new business opportunities to serve customer needs and improve customer value. In spite of the growing importance of such a competitive dynamic both at a research and managerial level, the concept of convergence has not been clearly defined and very few are the attempts at measuring it. In this paper we address the issue of convergence definition and measurement. Firstly, we develop a literature review and highlight three main drivers of convergence: technology-based, competition-based and customer-based drivers. Secondly, we present the results of an exploratory research conducted through in-depth interviews with executives operating in convergent industries as well as business experts. Thirdly, building on the literature review and on evidences from the exploratory research we define the construct domain. Finally, we highlight critical issues for customer operationalisation, presenting a set of measures and some findings from an empirical study.

■ FB15

Seminar Room 3.9 (Room 3029)

Empirical Industrial Organization II

Chair: K. Sudhir, Professor, Yale School of Management, 135 Prospect St PO Box 208200, New Haven, CT, 06520-8200, United States, k.sudhir@yale.edu

1 - Are All Managers Created Equal?

Botao Yang, University of Toronto, 105 St. George Street, Toronto, ON, M5S3E6, Canada, botao.yang04@rotman.utoronto.ca, Avi Goldfarb

Some managers are better than others. We examine decisions by managers at 2233 Internet Service Providers to adopt 56K modems in 1997. Managers had a choice between two competing incompatible standards and had incentives to differentiate from local competitors. Using the Cognitive Hierarchy framework of Camerer, Ho, and Chong (2004), we develop a structural econometric model that estimates the level of strategic thinking by managers. The strategic thinking level is captured by a Poisson distribution with one parameter. Firms with a high value for this parameter are more likely to be high level players in the sense of first order stochastic dominance. We show that there is indeed heterogeneity in the degree to which firms behave strategically. Firms with

relatively few competitors, firms in smaller cities, especially those that operate in locations with fewer educated consumers, tend to behave less strategically. In our model structure, we interpret this to mean that these firms are more likely to be lower level players and thus go through fewer steps of strategic thinking than others.

2 - Intra- and Inter-format Competition Between Supermarkets and Discounters

Kathleen Cleeren, Maastricht University, PO Box 616, Maastricht, 6200 MD, Netherlands, k.cleeren@mw.unimaas.nl, Marnik Dekimpe, Katrijn Gielens, Frank Verboven

The price-aggressive grocery discount format is very successful, being one of the few grocery formats that grew over the last decade. The growing success of this format is a major source of concern for traditional supermarkets. Discounters not only have a direct effect on supermarkets' market shares, they also increase the pressure to improve operational efficiency and to decrease prices. Little empirical work has focused on determining the degree of competition between grocery stores, and especially the rivalry between stores of different formats has received little attention. The few studies in this area have mainly concentrated on store-choice data focusing on a smaller geographical area and treating store locations as exogenous. In this paper, we use recently developed empirical-entry models from the industrial organization literature (e.g. Mazzeo 2002) to study the degree of intra- and inter-format competition between discounters and supermarkets. This approach has less stringent data requirements, and endogenizes the entry decision of stores. The general idea is to infer information on the competitive impact of new entrants from the observed entry decisions of both supermarkets and discounters in a large cross-section of local markets (defined at the community level), while accounting for market characteristics. We allow for format-specific intra- and inter-format effects, and estimate per-format parameters for the included market characteristics. We apply this modeling approach to the German grocery industry, the only grocery market in Europe in which the discount market has stabilized after half a century of continued growth. Therefore, Germany is commonly considered as a benchmark to which most European markets will evolve with respect to grocery discounting.

3 - Modeling Local Market Response by Augmenting Marginal Distributions to Obtain Joint Distributions

K. Sudhir, Professor, Yale School of Management, 135 Prospect St PO Box 208200, New Haven, CT, 06520-8200, United States, k.sudhir@yale.edu, Jason Duan, Sachin Sancheti

Firms often need to predict how marketing strategies will affect sales response differentially in local markets. Predictor variables typically are local market characteristics. Typically, only marginal distributions of the local market characteristics are available, so researchers make do with such data even though joint distributions are required to make correct predictions. For example, if the most likely purchaser of an expensive car is a high income, middle aged male, marketers should focus on markets with large concentrations of high income, middle aged males; not just markets with high average incomes, high percentage of middle aged consumers and high percentage of males. In this article we propose a new approach to estimate the joint distribution of a local market by combining the marginal distributions (or averages) of the local market with a consumer sample from a larger (national or global) market (that is typically available or can be easily collected) that provides the joint distribution information at the larger level. Our approach uses a Bayesian MCMC based data augmentation technique to fit a mixture model that best combines the local marginal distributions with the global joint distribution data from the consumer sample. The method is scalable to obtain joint distributions across a large number of variables. We demonstrate the validity and usefulness of the approach using both simulated data and actual data from the banking industry.

■ FB16

Seminar Room 3.10 (Room 3031)

Topics in Customer Satisfaction

Chair: Zainab Jamal, UCLA Anderson School of Management, 110 Westwood Plaza, Suite B412, Los Angeles, CA, 90095, United States, zainab.jamal@anderson.ucla.edu

1 - Community Marketing and Customer Benefits

Sony Kusumasondjaja, Management Study Program, Faculty of Economics Airlangga University, Jl. Airlangga 4, Surabaya, 60286, Indonesia, s_kusumasondjaja@yahoo.com

The development of community for particular brands or products may be resulted from extraordinary emotional power of customers. The power would then motivate the customers to involve in a community consists of people with shared values and beliefs regarding the brands. The community developed is aimed at maintaining the existence of the

brand and expressing the customer's loyalty in a wide range of activities. This research is to explore customers' motivation in involving themselves in the community, the role they play in maintaining the existence of the brand and the community as well as their loyalty, and the benefits the customers gain from involving themselves in the community. There were 6 females and 9 males interviewed by using semi-structured ethnographic in-depth interview. They were active members of three different communities in Indonesia, namely community of an automotive product, community of a mobile telecommunication provider, and an artist's fans club. Some findings from the research are: first, some emotional and functional benefits motivate the customers (or member) to involve them in a community. Although emotional benefit plays a bigger role, the members do not ignore the functional benefit that they may gain from the community. And second, there is a belief among the members that by being active member of the community, they have had contributed greatly in maintaining the existence of the brand. They also believe that their involvement is the best way to express their loyalty to the brand or product.

2 - Integrating the Voice of Customers Through Call Center Emails into a Churn Prediction System

Kristof Coussement, Ghent University, Tweekerkenstraat 2, Ghent, 9000, Belgium, kristof.coussement@ugent.be, Dirk Van den Poel

The problem of optimizing the performance of a decision support system for churn prediction has been an area of interest for academics as well as for practitioners. This study investigates the beneficial effect of adding the voice of customers through call center emails - i.e. textual information - to a churn prediction system that only uses traditional marketing information. This study contributes to the existing literature by proving that adding unstructured, textual information into a conventional churn prediction model results in a significant increase in predictive performance. From a managerial point of view, this integrated framework helps marketing-decision makers to better identify those customers most prone to switch. Consequently, their customer retention campaigns become more targeted due to a better detection of those customers who are truly at risk.

3 - Firm-Offered and Interpersonal Incentives in Customer Referrals

Qiuping LI, University of Colorado at Boulder, Marketing PhD Program, Boulder, CO, 80309-0419, United States, Qiuping.LI@colorado.edu, Laura Kornish

Firms in industries ranging from cable television service to electronic toll collection offer customer referral programs. By signing up a friend, an existing customer can receive a cash bonus or a free period of service. These programs have an appealing quid pro quo simplicity. However, the apparent simplicity is misleading because customer referral programs require a balancing act with the incentives of three parties—the firm, the existing customer, and the potential new customer. In this paper, we analyze the interaction between the existing customer and the potential new customer to give insight into a firm's price and bonus decisions. We assume that the existing customer cares about the outcome of his recommendation, and especially dislikes disappointing recommendations—those that turn out worse for the potential new customer than he promises. First, we show that this concern over bad outcomes makes a referral bonus effective at generating recommendations, because it offsets the conservative bias introduced by that concern. Then we show that this effectiveness does not guarantee optimality of a bonus. Further, we show that in a broad range of cases bonuses are not optimal because of the vicious cycle of raising the bonus and the price. When interpersonal concern is too strong, it is more efficient for the firm to use the price rather than a bonus to maximize profit. We discuss the implications of our model for bonus and pricing schemes and apply those implications to different industries.

4 - Hazards of Ignoring Involuntary Customer Churn

Zainab Jamal, UCLA Anderson School of Management, 110 Westwood Plaza, Suite B412, Los Angeles, CA, 90095, United States, zainab.jamal@anderson.ucla.edu, Randolph Bucklin

We study the impact of ignoring involuntary churn (when a firm terminates the subscription of a customer) on the estimation and diagnosis of voluntary churn (when the customer terminates the relationship) in a hazard modeling framework. The main event is voluntary churn and the competing event is involuntary churn. In our case, if the theoretical duration times of the two competing events are correlated then the estimates of the hazard rates and survival times of the main event can be biased. We estimate a bivariate Weibull survival model that captures the dependency between the duration times for voluntary and involuntary customer churn. We compare this model with a benchmark model - a univariate Weibull - which includes only voluntary churn. We estimate the models using maximum likelihood techniques. We find significant differences in the prediction of voluntary churn rates across the two modeling approaches. The bivariate Weibull survival model does better in predicting the customers who are more likely to churn. Further, the

impact of covariates on the voluntary churn rates differs across the two models. We also find that the key covariates affecting voluntary churn rate have very different effects on involuntary churn. Our study highlights the need to consider involuntary churn when modeling customer retention.

Friday, 1:30 - 3:00pm (Session FC)

■ FC01

Seminar Room 2.1 (Room 2001)

Special Session: Technological Evolution and Organizational Innovation

Chair: Ashish Sood, Assistant Professor, Emory University, 1300 Clifton Rd NE, Atlanta, GA, 30022, United States, ashish_ood@bus.emory.edu

1 - Growth Acceleration across Technology Generations

Stefan Stremersch, Professor of Marketing at Erasmus University Rotterdam (the Netherlands) and Visiting Associate Professor of Marketing at Goizueta Business School, Emory University, Atlanta, Georgia (U.S.), School of Economics at Erasmus University Rotterdam, Burg. Oudlaan 50, PO Box 1738, 3000 DR Rotterdam, ZH, Netherlands, stremersch@few.eur.nl, Eitan Muller

Executives today express interest in the question whether sales growth across technology generations in their respective markets is accelerating. Such acceleration has critical implications for R&D and marketing decisions. However, both the diffusion acceleration literature and the multi-generation diffusion literature show distinct shortcomings if one wishes to establish: (1) whether new product growth accelerates across technology generations within a market; and (2) whether such acceleration is due to technology generation or technology vintage. Examining 41 technology generations in 13 markets, we find that both technology generation and technology vintage significantly accelerate time to take-off, and that this acceleration is mostly due to vintage effects and only to a minor degree to generational shifts. Technologies of a more recent vintage also are less likely to face a saddle in their sales pattern. Such saddle occurrence does not necessarily become less likely across technology generations, when one accounts for their vintage. These findings are of high relevance for marketing scholars and managers alike.

2 - Decoding Disruption

Ashish Sood, Assistant Professor, Emory University, 1300 Clifton Rd NE, Atlanta, GA, 30022, United States, ashish_ood@bus.emory.edu, Gerard Tellis

The theory of disruptive technologies (1997) has won high acclaim from managers and researchers because of its intuitive appeal and the many supporting cases. Christensen's book articulating the theory, "The Innovator's Dilemma", has sold hundreds of thousands of copies. However, some researchers have raised doubts about the theory of disruption. Their concerns revolve around the problems of definition, evidence, and predictability. Others claim that the central thesis about a disruptive technology causing disruption appears tautological (Tellis 2006). This study seeks a deeper understanding of the phenomenon of technological change, with especial reference to disruption. It seeks answers to the following specific questions: What is a disruptive technology? How can one define, identify, and describe it? What is disruption? How does it occur and what are its causes? Is Christensen's central thesis true (if one can resolve the problems of circularity)? That is, do "disruptive" technologies cause disruption, for example, by causing incumbents to fail? Using new definitions and data on 39 technologies from 7 markets, the authors test four hypotheses derived from the theory. Contrary to the theory, results show that "disruptive technologies" cause technology, demand, firm, or total disruption infrequently and seldom more often than other technologies. Moreover, contrary to the theory, incumbents are almost as likely as entrants to introduce disruptive technologies.

3 - Managing the Future: CEO Attention and Innovation Outcomes

Manjit S. Yadav, Associate Professor of Marketing & Mays Research Fellow at Mays Business School, Texas A&M University, yadav@tamu.edu, Jaideep Prabhu, Rajesh Chandy

The current literature presents a mixed view of top managers, often characterizing them as an impediment to innovation, irrelevant for innovation, or at best having an indirect effect on innovation. The authors argue, in contrast, that CEOs have a positive, direct, and long-term impact on innovation outcomes. They propose an attentional perspective to studying innovation, and suggest that CEOs' choice of what to focus on has significant implications for how firms detect, develop, and deploy new technologies over time. The authors test their argu-

ments on longitudinal data from the US retail banking industry, using an empirical approach that allows a separation between CEO attentional focus and subsequent innovation outcomes. They show that CEO attention is a critical driver of innovation even: 1) when the target of attention is not innovation per se, but simply future events and external events in a generic sense, 2) when the innovation outcomes occur far in the future (sometimes several years in the future), 3) when the innovation outcomes are conceptually, empirically, and temporally distinct, and 4) in an empirical context—banking—that is not traditionally viewed as “high-tech”, and thus innovation-centric. These results, besides questioning many prevailing views on how CEOs affect innovation in their firms, also begin to address the issue of leadership that is widely recognized as one of the central problems in the management of innovation.

4 - Does Dual Distribution Affect Organizational Innovativeness? Insights from Franchising in Restaurant Chains

Raji Srinivasan, Assistant Professor, University of Texas at Austin, CBA 7.248, Austin, TX, 78733, United States, raji.srinivasan@mcombs.utexas.edu

The use of dual distribution strategy which simultaneously combines market governance (e.g., franchised units, independent reps in industrial selling) and vertical integration (e.g., company units and house accounts in industrial selling) is widespread across diverse industries. An interesting question that arises is whether the use of the distribution strategy affects the innovativeness outcomes of firms. In this paper, I examine the relationship between a firm's dual distribution strategy and its innovativeness, using the empirical context of franchising in 33 U.S. restaurant chains. I propose a contingent model relating the restaurant chain's distribution strategy, in conjunction with its other characteristics, including, size, age, advertising stock, operating efficiency, scope of vertical integration and debt leverage to its innovativeness. I measure the restaurant chain's innovativeness by creating an innovativeness index that includes both process and product innovations, measuring both the radicalness and scope of the innovations. I estimate the proposed model using a panel data of 33 restaurant chains resulting in 254 firm-years of observation for the period between 1994 and 2003. The results of the fixed effects, latent class regression model estimation indicate that a firm's dual distribution strategy significantly affects its innovativeness, both independently and in conjunction, with its other characteristics. For some firms, dual distribution strategy lowers innovativeness, both independently, and in conjunction with other characteristics, while for other firms, a dual distribution strategy increases innovativeness. Post hoc analyses of the segments generate insights on the profiles of the firms with different relationship regimes. The study's findings shed interesting and novel insights on the effects of a firm's marketing mix strategy (i.e. dual distribution strategy) and organizational innovation.

■ FC02

Seminar Room 2.2 (Room 2002)

International Marketing III

Chair: Duraipandian Israel, Assistant Professor, XLRI, Jamshedpur, 53, XLRI campus, C.H. Area East, Jamshedpur, Jh, 831001, India, disrael@xlri.ac.in

1 - A Cross-National Comparison of the Influence of Brand, Price and Texture on Perceived Quality

Chi-Shun Liaw, Chung Yuan Christian University, 200, Chung Pei Rd., Chung Li, Taiwan 320, Chung Li, Taiwan, naylor.shun@msa.hinet.net, Cheng-Wen Lee

This article examines whether product-related attributes can be standardized across countries. Based on the characteristics of goods, this research tries to understand what kind of goods will moderate consumer evaluation depending upon consumer image, brand, price, and texture on perceived quality in comparison with four countries. Samples were conducted in Taiwan, China, Hong Kong, and Japan. The research findings of all goods indicate that consumer image is positively related with origin brand and texture on perceived quality. On the contrast, the “price” has significantly negative effect on brand and texture on perceived quality. The results suggest that each quality cue may vary across four countries, describe the implications on business transactions and decision making, and provide a set of recommendations on how to succeed in cross-national transactions.

2 - Chinese Consumer Psychological Perspectives of Popular Retailer Formats: A Grounded Theory Study

Tien-Chun Lin, Graduate Student, National Chung Hsing University, 250, Kuo Kuang Rd., Taichung 402, Taiwan, 7F., No.74, Sec. 6, Sinyi Rd., Sinyi Dis, Taichung, 402, Taiwan, sky0pure@yahoo.com.tw, Clyde Warden

Modern retailing formats have diffused from the West in the greater China region, with retailers such as Carrefour, Tasco, Walmart, and others. Emphasis has been placed on clean minimal designs with large spaces and low wait times. Local traditional retailing formats have not stagnated amid this competition, but rather have adopted numerous imported innovations while combining traditional retailing designs resulting in formats where local consumers feel comfortable, welcome, and familiar. The five-metal stores format is a well-known retail standard in Taiwan, made up traditional of small independent stores that sell metal-related products (eg. pots, screws, batteries...etc.). Modern retailing in Taiwan has adopted this tradition and combined it with Western retailing formats to create hybrids that retain an emphasis on core Chinese cultural values related to exchange. This study examines the characteristics of these recent retailing success and compares them with more Westernized formats in Taiwan. The current research examines the preferences from a consumer psychology perspective to explore what affects their decision toward retailers the most. Using a grounded theory approach, elements of importance and with an effect on consumers' psychology and the reasons Chinese consumers preferred are documented. Data was collected through field observation and analyzed with the software package NVivo. Surprisingly, findings show many factors traditionally associated with satisfaction were not important at all, while other characteristics that would discourage shoppers in the West were important in stimulating interest in the Chinese cultural setting.

3 - Impact of Couples' Sex-Role Orientation on Durables Purchase Decisions in India

Duraipandian Israel, Assistant Professor, XLRI, Jamshedpur, 53, XLRI Campus, C.H. Area East, Jamshedpur, Jh, 831001, India, disrael@xlri.ac.in

A careful scan of marketing and consumer research journals and proceedings published over past three decades have produced substantial insights into the relative roles of couples in buying products and services. These studies have conceptualized the spousal dominance in purchase decision-making along a social continuum from the patriarchal, through egalitarian, to the matriarchal and have evinced that purchase decisions are actually composed of a sequence of decisions and that the influencer at one stage of decision making process may not be the same at another stage and the roles vary across product type. While the available literature on spousal influence focuses on western countries in relation to their societies, the scope of these studies has been too limited for application in the Indian context as Indian society has been traditionally viewed as a patriarchal society characterized by husband dominance, masculine superiority, sharply defined sex-roles and separation of sexes. Noting the absence of any major empirical research on spousal influence in family decision making in India, the present study was undertaken with 338 families in determining which spouse has the dominant influence in various types of decisions across different products. A new SRO inventory suiting the Indian context was developed for tapping the couples' SRO. The couples' SRO is found to be statistically significant. Wife in a family whose SRO is modern is more influential in purchase decisions than one in a family where the SRO is traditional. Marketing implications that would be of use to both the domestic and international marketers in the area of advertisement and promotion for durables in the Indian market are also drawn.

■ FC03

Seminar Room 2.3 (Room 2004)

New Developments in Adoption Models

Chair: Geonha Kim, Associate Professor, Sanno University, 1573, Kami-Kasuya, Isehara, Kanagawa, 259-1197, Japan, ghkimu@mi.sanno.ac.jp

1 - Decomposing the Demand Effect of a New Product

Shuba Srinivasan, Associate Professor, A Gary Anderson Graduate School of Management, University of California, Riverside, Riverside, CA, 92521, United States, shuba.srinivasan@ucr.edu, Harald van Heerde, Marnik Dekimpe

To evaluate the success of a new product, managers need a method to gauge how much new demand it generates. In this paper, we propose a new system of vector-error regression models that recognizes that total demand of a new product may be drawn from several sources. For instance, a new product may draw from same-company products (cannibalization) or from other-company products (brand switching), possibly involving category switching. In addition, an anticipated new product may lead to a pre-introduction dip in sales in the preceding product offer. Furthermore, a new product introduction may accelerate demand for the newly introduced product, leading to a post-introduction dip. Finally, a part of a new product's demand can be really new, i.e., expanding primary demand. When we combine these demand sources, we can in total distinguish eleven possible ones. Decomposing the total demand effect of a new product into its constituent sources, both in the

short run and in the long run, allows managers to calculate a new product's net demand effect which may be considerably less than its total demand. We apply our methodology to the introduction of the Lexus RX300 using detailed car transaction data. This case is especially interesting since this car was the first hybrid SUV, implying that its demand effect may have come both from SUVs and luxury cars. We conclude by presenting managerial conclusions.

2 - Risk, Risk Reduction Tools and Adoption of Innovation

Amir Heiman, Senior Lecturer, Hebrew University, Faculty of Agriculture, Department of Agricultural Economics, Rehovot, 76100, Israel, heiman@agri.huji.ac.il, David Zilberman, Bruce McWilliams

In this paper, we attempt to identify and address what we view as a critical gap in current adoption and diffusion models: specifically, adoption models have ignored marketing activities other than price and advertisement, and diffusion models have not studied the role of pre-purchase risk reduction marketing tools in inducing adoption. We develop a framework based on economic adoption models and incorporate into this framework marketing activities that aim at providing information and pre-purchase experience (demonstrations) or post purchase guarantees (money back guarantees - MBGs). We first introduce the concept of the threshold model to analyze how heterogeneous buyer's characteristics, utility (buyer) and profit maximization (producer) determine adoption. Aggregation of individual adoption yields diffusion. We then introduce risk into these models in order to better understand the ways in which marketing tools affect technology adoption. The incorporation of pre-purchase risk and marketing tools into these frameworks provides an important original contribution to this area of research, and can serve as a decision rule for marketers in their choice of risk reduction tools. The paper analyzes the effect of demonstrations and MBGs on diffusion and shows that while these risk reduction tools always speed the rate of adoption they can induce (reduce) net diffusion (number of owners) depending on the distribution of buyers and other factors.

3 - A Multi-Stage Empirical Model of New Product Adoption

Rachel Shacham, New York University, 40 West 4th Street, Suite 921, New York, NY, 10028, United States, rshacham@stern.nyu.edu, Peter Golder, Sha Yang

Research on new products has not yet considered the role of individuals' awareness on subsequent consideration and adoption decisions. But focusing only on individuals who are already aware or ignoring this stage altogether may result in biased conclusions. To address this gap, we propose a multi-path longitudinal selection model to identify the factors affecting consumers' probability of traversing the awareness, consideration and purchase stages of the adoption process. Moreover, we use longitudinal, individual-level data on a short life cycle category (motion pictures) to understand how the role of each factor changes before, during and after introduction.

4 - A Market Matrix for Marketing Strategy and Technology Forecasting

Geonha Kim, Associate Professor, Sanno University, 1573, Kami-Kasuya, Isehara, Kanagawa, 259-1197, Japan, ghkimu@mi.sanno.ac.jp

What, do you think, leads the market? Which of the two technologies or consumers lead the market? We want to reconfirm the fact that consumers lead the market. In recent decades, the importance of technologies is overemphasized enough that the importance of marketing is deteriorated. It's a case of the tail wagging the dog. Understanding and analyzing consumers' needs are vague, difficult, and troublesome works. Predicting consumers' needs in the future and relating them to technology forecasting are much more. But, there are no objections that to redefine the market and to analyze the needs of consumers are the first steps toward the technology forecasting of the next generation. We focus on a market redefinition that is necessary for a company to take an innovation strategy. We review the definitions of market and propose a new perspective to define the market - not consumers market but products/services market. We will refer the product-market matrix which was proposed by Ansoff in 1969, but our matrix will be consumers-producers matrix differing from Ansoff's product-market matrix. When it comes to the eventual problems, predicting consumers' needs and relating them to technology forecasting, we propose that predicting and forecasting related researches could be done based on products and services that were and have been successful in the market. Direct researches such as consumer surveys to predict the consumers' needs in the future are so complex, and it is hard to say that the prediction results are good in accuracy. Consumers' needs are, we think, well reflected in the successful products and services. And there can be found some common rules for some products and services to be successful.

■ FC04

Seminar Room 2.4 (Room 2005)

Decision Support

Chair: Niek Althuisen, Assistant Professor, ESSEC Business School Paris, Avenue Bernard Hirsch, B.P. 105, Department of Marketing, Room N112, Cergy, 95021, France, althuisen@essec.fr

1 - A Portfolio Optimization Approach to Marketing Measurement and Optimization: A Case Study

Abderrahim Labbi, Marketing Research Leader, IBM Research - Zurich Lab., Saumerstrasse 4, Rueschlikon, 8803, Switzerland, abl@zurich.ibm.com, Cesar Berrospi

Measuring marketing effectiveness and optimizing budget allocation are among the key challenges that most marketers have been facing. In this paper, we address such a challenge in the context of mass marketing optimization based on a real world example of a large electronics manufacturer. Using historical data about Mix design, Media & Channels, Sales, Market share, and budget, the two key issues that we address are the following: 1) How to measure/model the impact of the existing marketing mix and associated budgets on sales and market share? 2) Given such impact models, how to optimally diversify the marketing mix and allocate a given budget in such a way that maximizes sales and market share? To address the first question, we have developed advanced regression models (Support Vector Regression) which allow to effectively model the impact of some given mixes over various media (TV, Press, Radio) and channels (Business Partners, Resellers, Distributors). The models provide estimates of sales with associated confidence intervals (variance). We then address the second issue as a portfolio optimization problem using the Mean-Variance model of Markowitz. The solution to the problem provides an optimal media/mix diversification strategy. These models have been implemented and integrated into a web-based system for marketing measurement and optimization. We will describe the system, its components, and the challenges of building the underlying models, then illustrate the system performance using real data.

2 - Service Management by Censored Regression on the POS Level

Meltem Kiygi Calli, PhD Student, Antwerp University, Prinsstraat 13, Antwerp, 2000, Belgium, meltem.kiygicalli@ua.ac.be, Marcel Weverbergh

We investigate the service policy of a Belgian newspaper which aims at reducing out of stocks in newspaper stands to 3% of publication dates for each outlet. The available data covers the period from January, 3 2005 to April, 1 2006 for 1321 outlets and regional editions. This yields 491,602 data points. In the sample, the total numbers of newspapers delivered and newspapers returned is 80,730 and 16,321, respectively (20.22% returns). The analysis of the entire data gives an average service level of 91% and a weighted average service level of 94%. A censored regression model is applied on the daily level by point of sales/edition. The censoring variable is the number of copies provided. The model allows determining the impact of a 97% service level on the deliveries required, on newspapers returned and out of stock for the point of sales. The model takes into account daily fluctuations (weekday effect), the impact of discretionary management decisions to increase the number of copies on a particular day for a specific shop and increases in copies on the request of the shopkeeper. The model equalizes the service levels for all the point of sales at the target service level of 97%. While the previous day sales are often significant, they are not available in time for use in the forecasting system and therefore not included in the specification, however the 7-day carry over is retained where significant. Improving the service level at normal days, without reducing deliveries on the special days, will be achieved by increasing the total number of deliveries by 2.79%, a small increase due to better balancing. These additional deliveries will increase return rate to 22.61% and expected shortage is limited to only 110 newspaper copies per year for all POS combined.

3 - Investigating the Inter Temporal Determinants of Store Traffic Using a Dynamic Linear Model

Rajesh Shah, Assistant Professor, SUNY Buffalo, 215F Jacobs Management Center, Amherst, NY, 14260, United States, rkshah3@buffalo.edu, Ram Bezawada

Store traffic is the most visible performance measure for store managers as it directly relates to sales response and other marketing mix strategies. Thus, the ability of a store to attract customers is an important attribute that can be used as a strategic variable to compete effectively. Moreover, a reliable estimate of store count will help the store to improve the efficiency of its operations and also manufacturers in better directing their promotional effort. Although, issues relating to store traffic have been researched in the marketing literature, they have not been dealt with in a comprehensive manner. For instance, store traffic usually has been analyzed as an outcome of other retail specific activities such

as the impact of store level promotions, influence of loss-leader items. Moreover, these studies have not considered the dynamic nature of store traffic. Retail strategies with respect to key factors such as store traffic are set over longer time horizons. Therefore, the inter-temporal nature of such factors and the manner in which they influence store traffic needs to be explored. We address the above issue using a dynamic linear model to account for the evolution of store traffic. We use Bayesian parameter estimation to model inter temporal effects of various retailer strategies. In addition to marketing mix variables such as features, loss leaders and prices; we also consider how other store specific characteristics such as assortment levels, produce quality, organic products influence store traffic. We further include the store descriptors like physical characteristics (e.g. size, formats) and non-traditional product offerings (e.g. bank, café). Our results will better enable retail managers to develop strategies to monitor and enhance store traffic.

4 - Analogical Reasoning as a Decision Support Principle for Marketing Design Problems

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Analogical reasoning is a key element of human cognition. Analogical thinking is the ability to look at specific situations and pull out abstract patterns that may also be found in different situations. In psychology and cognitive science, the role and power of analogical reasoning for making inferences, learning, and problem solving is well-documented. Analogical reasoning as a problem solving strategy excels especially in weakly-structured domains, i.e., domains where phenomena are not well enough understood to capture their full essence in a (mental) model. In marketing, we have many weakly-structured problem areas. Yet, the marketing literature has paid little attention to analogical reasoning as a decision support principle. This paper looks at the contribution of analogical reasoning to the solution of complex, weakly-structured, marketing problems, in particular design problems. We address the following questions: (1) Does analogical reasoning help decision makers to come up with better solutions? (2) What are moderating personality characteristics, i.e. for whom does it help most? (3) What is the effect of the number and type of analogies? We use the design of creative sales promotion campaigns as our application domain. Experiments were carried out in a Case-Based Reasoning (CBR) environment. We show that by providing decision makers with analogies, the resulting sales promotion campaigns are more creative. Interestingly, the effect on the quality of the solution is largest for decision makers with low innate creative ability. We also investigate if the improvement in creativity is greater for "far" analogies (as compared to "near" analogies), and if the improvement increases with the number of analogies.

■ FC05

Seminar Room 2.5 (Room 2012)

Modeling Issues in e-Markets

Chair: Dan Ma, Singapore Management University, School of Information Systems, 80 Stamford Road, Singapore, madan@smu.edu.sg

1 - Modeling the Optimal Interval of Emailing

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This study deals with mailing interval problem for online marketers such as internet shopping malls. E-marketing firms generate many e-mails and continue sending them to the customers for promotional purposes. In this regard, many studies addressed whom to send, what to send, etc as a e-customization issue. We focus on 'how often to send' the e-mail offers and modeling the opening behavior. Different from optimal mailing rules in previous research (e.g. Bult and Wansbeek 1995, Gonul and Ter Hofstede 2006) mostly in the area of direct marketing assuming a fixed cost of sending a catalogue, emailing generates almost no cost of sending compared to the traditional catalogue mailing that engenders costs of delivery and print. As well, emailing provides detailed information about the reception behavior. We model the opening rate of email by the impact of the inter-mailing time as well as the characteristics of the e-mail campaigns at a time. Both observed and unobserved heterogeneity are incorporated into the model parameters via hierarchical framework. Based on a data set of emailing to 4,030 customers offered by the largest Internet shopping mall in South Korea between August 2004 and April 2005, our results shows the existence of an optimal interval of sending email (e.g., around 4 days from our data set) whose value varies also according to the characteristics of customers. Our findings provide a guideline to the marketer who need to customize the interval of sending email in order to maximize its opening rate that can improve the purchase frequency and volume consequently.

2 - Permission Email Options

Paul Messinger, Associate Professor of Marketing, School of Business, University of Alberta, School of Business, University of Alberta, Edmonton, AB, T6G 2R6, Canada, Paul.Messinger@UAlberta.ca, Jin Li

We propose and test a model of consumer response to permission emails. Permission emails differ from standard broadcast email communications in that customers must sign up to receive the communications. Our model of consumer response to emails uses a decision-theoretic analysis of consumer information acquisition. Email offers are interpreted as having an information structure similar to financial options. Thus, communications design can be viewed from the perspective of crafting a low option price and a high expected upside. The consumer incurs the option price to gain the possibility, but not the obligation, of taking an offer once its value is revealed. The option price, in our communications context, consists of the consumer's costs of attending to, processing, retaining, and following up on an email message. The expected upside is determined largely by the perceived mean and variance of the underlying email offer. This perspective may also have applicability for other marketing communications and promotions design problems. Our model motivates a set of hypotheses about communications design features that we test in our empirical analysis. Our empirical approach constitutes an accessible way for practitioners to measure how email effectiveness is influenced by design features of the subject line, the email body, and the targeting and timing of the email campaign. We can learn for our focal retail chain, for example, that it is desirable to use subject lines with three or four words, including the exact date, email body which is short, including a moderate number of links (e.g., 5-10), sent out with short lead times, on weekdays, and where the design varies according to the appeal type.

3 - A Model of Individual Keyword Performance in Paid Search Advertising

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Paid search advertising (paid search) has emerged as a predominant form of Internet advertising, generating \$8.2 billion ad revenues in 2005. In paid search, advertisers bid for specific keywords, e.g., "Rental Cars LAX", in an auction. When a user searches for one of these keywords the advertiser's text ad is displayed in the sponsored section of the search results page. The advertiser is only charged when the user clicks on the ad. Most of the keywords in paid search advertising campaigns generate few, if any, sales conversions - even over several months. This sparseness hampers assessment of profit performance for individual keywords and has led companies to manage either large groups of keywords together or rely on easy-to-calculate heuristics such as click-through rate (CTR). It is not clear whether these managerial strategies are profit maximizing. This study develops a model of individual keyword conversion that addresses the sparseness problem. Conversion rates are estimated using a hierarchical Bayes binary choice model. This enables conversion to be based on both word-level covariates and shrinkage across keywords. The model is applied to keyword-level data containing daily information on impressions, clicks and reservations resulting from paid search for a major lodging chain. The results show that including keyword-level covariates and heterogeneity significantly improves conversion estimates. In other words, knowing where a visitor to the site comes from helps predict the probability of conversion. A holdout test shows that campaign management based on the model, i.e., estimated cost-per-sale on a keyword level, would outperform existing managerial strategies.

4 - Will the RSS Feeds Increase or Decrease the Website Profitability?

Dan Ma, Singapore Management University, School of Information Systems, 80 Stamford Road, Singapore, madan@smu.edu.sg

Nowadays, many websites attach the RSS (Really Simple Syndicated) feeds to their web content. RSS feeds serve to periodically inform web visitors newly updates in the website and allow these visitors to visit their interested content by filtering out unwanted online advertisements. The use of RSS feeds is usually considered an effective way to attract new traffic as well as retain old web visitors. In this paper, we study the following research question: Will RSS feeds increase or decrease the website profit? We construct an analytical model, conduct cost-and-benefit analysis of using RSS for web users, as also analyze the profitability of adopting RSS for websites. We find that after providing RSS feeds, websites will always attract more visitors. This however does not necessarily indicate higher profits. The RSS adoption is profitable for a website only if a visitor's own-sales force value to the site is high enough. We show that websites such as weblogs and news portals do not gain from the RSS adoption, although at present they are the major providers of RSS feeds. Our findings suggest that the business value of the RSS lies in the field of e-commerce, and predict the wide adoption of RSS feeds by the e-commerce sites in the future.

■ FC06

Seminar Room 2.6 (Room 2013)

Word-of-Mouth in the Online World

Chair: Hikaru Yamamoto, Assistant Professor, Seikei University, 3-3-1 Kichijoji-kitamachi, Musashino-shi, Tokyo, 1808633, Japan, yamamoto@econ.seikei.ac.jp

1 - Word-of-Mouth Dialogue and Consumer Decision Making

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In an era of ubiquitous connectivity, Word-of-Mouth (WOM) has reached mind-staggering levels. The sudden explosion and wide availability of user-generated content, in particular, has triggered a flurry of research in electronic WOM. Most cases studied to date exhibit features of giant posting boards where little one-on-one interaction occur. However, many studies suggest that most consumers most of the time engage in, and make decisions based on, real-time WOM dialogues. The main goal of this study is to open an analytic window into the mechanics of WOM dialogue and to establish its relationship with consumer decision-making. This is probably the first experimental research to capture both communication and psychometric data from a full cycle of WOM, i.e. before, during, and after. An announcement of a tentative graduate course served as the experimental stimulus. Each subject read information about the course on multiple attributes and filled out a questionnaire about his beliefs, evaluations, and overall intention to register. Next, subjects were paired to engage in WOM about the course using Instant Messaging (IM). The transcripts of the electronic WOM dialogues were captured. Following the episode, each subject again filled a questionnaire about his beliefs, evaluations, and overall intention to register. The resulting data is analyzed in terms of how prior beliefs, evaluations, and intention determine the particular WOM dialogue and how the latter then affect posterior beliefs, evaluations, and intention. This study not only contributes to our understanding of how and why WOM dialogues work but also expands marketers' theoretical and methodological toolset towards discourse analysis.

2 - Do People Interact with Blogs? An Analytical Model of Online Word-of-Mouth Effectiveness

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Starting as personal journals maintained online, blogs evolved and gradually transformed into genuine media channels. As a digital, centered version of word-of-mouth, they have become a major topic in both academic and industry. Apparently they are one of the most influential information sources for consumers and as such they caught the attention of managers in their attempt to gain market share and generate profits. The objective of this study was firstly to determine who the blog audience is (from a demographical perspective, as well as a behavioral one), and secondly to determine whether indeed people who frequently visit blogs are significantly more likely to purchase goods associated or openly promoted by them. To this effect we have devised an analytical model to study the impact of blogs as marketing tools. The model uses a wide variety of blog metrics, such as context, credibility, the number of citations and external references, volume, the number of conversations generated by topics as well as the emotions they generally convey and assumes heterogeneous visitors, allowing for a quantification of the marketing effect of a blog page. Using survey data generated from over 100 different sites and several product domains (such as movie industry, literature, tourism and financial), our study indicates that there is a significant correlation between the number of visits to a certain blog and the type of product promoted (or associated with) a particular site, a correlation that is heavily dependent on the context and credibility perceived by visitors, as well as the mean number of conversations generated by topics.

3 - An Empirical Analysis of Diffusion Through Trust Network

Hikaru Yamamoto, Assistant Professor, Seikei University, 3-3-1 Kichijoji-kitamachi, Musashino-shi, Tokyo, 1808633, Japan, yamamoto@econ.seikei.ac.jp, Yutaka Matsuo

The consumer's purchase decision making is often influenced by the word-of-mouth by the other consumers, and who to trust among them is often determined by the similarity of product purchase behavior. In this study, we report an empirical analysis of product diffusion using cosme, a product review site specialized in cosmetics products, and also one of the largest online community in Japan. The notable characteristic of cosme is that not only users can post their product review, but also they can bookmark their favorite reviewers. This social bookmark can be regarded as "trust" between users. This trust relations interacts with

opinions of users: A user refers to the ratings and opinions from her favorite users when purchasing products; also, a user come to be trusted (i.e. bookmarked) by the other users based on the similarity of ratings and opinions. A favorable product review can be regarded as a recommendation from a reviewer to a user who bookmarks the reviewer, and this accelerates the product diffusion: If Alice receives recommendation on product x from Betty at time t1, and if Alice writes a first review on product i at time t2 where t1 < t2, we consider the recommendation as success. To understand the diffusion process, we first visualized the trust network and the recommendation flow using the bookmark and product review data with time stamps, and calculate the success rate of recommendation. Finally, we model the bidirectional interaction between trust and opinion.

■ FC07

Seminar Room 2.7 (Room 2014)

Market Research II: Economic Methodology

Chair: Aurelie Lemmens, Assistant Professor of Marketing, Erasmus University Rotterdam, Burg. Oudlaan 50, Rotterdam, NA, 3000 DR, Netherlands, lemmens@few.eur.nl

1 - Bayesian Spatial Analysis of Ordered Successive Categories Preference Data in Marketing Research

Duncan Fong, Professor of Marketing, Pennsylvania State University, 456 Business Building, Smeal College of Business, University Park, PA, 16802, United States, i2v@psu.edu, Wayne DeSarbo, Joonwook Park, Crystal Scott

A Bayesian non-metric bilinear spatial procedure is developed for the multidimensional scaling (MDS) of ordered successive categories preference type data. We show how external attribute information can be incorporated into the spatial representation of such data, and how the use of informative priors can eliminate the need of imposing identification constraints for such an under-identified model. We demonstrate the computational benefits of analyzing both attribute-based data and preference data simultaneously when the information from the attribute-based data is used as prior input for the analysis of the preference data. We present both a simulation study, as well as an actual commercial application dealing with consumers' intentions to buy new luxury sport-utility vehicles (SUVs), where the spatial results of the proposed model are favorably compared to solutions derived from the traditional multidimensional scaling deterministic procedure MDPREF. For both synthetic and real data sets we show that our method provides more accurate predictions and better model fit. Finally, directions for future research are discussed.

2 - Specification of Spatial Models: Analysis, Comparisons, Suggestions

Stanislav Stakhovych, PhD Student, University of Groningen, Marketing Department, P.O.Box 800, Groningen, 9700 AV, Netherlands, s.stakhovych@rug.nl, Tammo Bijmolt

The last decade can be characterized by a considerable increase in interest in spatial models not only in geography but also in marketing science. The issue of model specification is very crucial for any model application and especially for spatial ones where decisions have to be made on the spatial components of the model. When accounting for spatial patterns in the data, a researcher has to decide among others on using a spatial lag or spatial error specification. Furthermore, numerous approaches have been suggested to design the spatial weights matrix, from which the researcher has to choose one. The goals of this research project are: i) to find the consequences of misspecification for different types of data and opportunities to avoid the loss of information due to the wrong specification; ii) to find the best way of "guessing" the most appropriate weight matrix for spatial model; and iii) to derive certain recommendations for researchers who deal with spatial models in uncertainty conditions. This research is conducted based on synthetic data by means of Monte Carlo simulations. Among others, some preliminary results suggest: i) recommendations for choosing the weight matrix conditional on data type; ii) the possibility of decomposition the probability of finding the true model based on specification decisions and others.

3 - Accounting for Sample Effects in Structural Equations Models: A Process Model

Boris Blechschmidt, Marketing Center Muenster, University of Muenster, Am Stadtgraben 13-15, Muenster, 48143, Germany, boris.blechschmidt@uni-muenster.de, Klaus Backhaus, Maik Eisenbeiss

In marketing research settings the structural equation model plays a prominent role. Especially covariance-based models are dominantly used in the literature. Due to the method's complexity the quality of its results strongly depends on several sample characteristics such as the

common method bias, sample size, heterogeneity of data or distribution of input variables. However, the evaluation of structural equation models is mostly limited to fit statistics that are inappropriate to uncover sample-based problems of this kind. Instead, those criteria mostly assess the inherent structure of the fitted model, i.e., whether the model is able to reproduce the data structure of the sample at hand. Hence, we propose an evaluation approach bundling preventative, examining and corrective measures that help to systematically encounter possible problems associated with sample characteristics and thus to strengthen the explanatory power of the model. In a simulation study we show how parameter values of different sample properties affect a structural equation model's results and provide evidence that our proposed evaluation approach qualifies for identifying those effects.

4 - Decomposing Granger Causality Over the Spectrum

Aurelie Lemmens, Assistant Professor of Marketing, Erasmus University Rotterdam, Burg. Oudlaan 50, Rotterdam, NA, 3000 DR, Netherlands, lemments@few.eur.nl, Christophe Croux, Marnik Dekimpe

Recent marketing studies have informed us how important it is to realize that the effect of many marketing-related variables may vary, in direction and/or importance, over different time horizons. Based on the seminal framework proposed by Pierce (1979), we develop a bivariate spectral Granger-causality test that can be applied at each individual frequency of the spectrum. The spectral approach to Granger causality has the distinct advantage that it allows to disentangle (potentially) different Granger-causality relationships over different frequencies or time horizons. We compare this testing procedure to existing Granger causality tests, in the time and in the frequency domain, and study its power by means of Monte Carlo simulations. Finally, we show how this test can be applied in marketing to yield new insights in comparison to classical Granger causality tests.

■ FC08

Seminar Room 2.8 (Room 2015)

Auctions: Models and Market Structure

Chair: Srinivas Reddy, Robert O. Arnold, Professor of Business, University of Georgia, 149 Brooks Hall, Terry College of Business, Athens, GA, 30606, United States, sreddy@terry.uga.edu

1 - Non-Linear Effect of Reserve Prices on Selling Prices in Online Auctions

Peter Popkowski Leszczyc, University of Alberta, 4-20 F School of Business, Edmonton, AB, Canada, ppopkows@ualberta.ca, Dawit Zerom

Sellers in auctions typically have the option of specifying a reserve price, i.e., a minimum-acceptable price below which the item will not be sold. These reserve prices are important decision variables that may have a significant influence on sellers' profitability and auction efficiency. While there has been a substantial amount of theoretical research still little is known about the exact way in which reserve prices affect bidding behavior in internet auctions. Results of recent empirical studies are mixed as some researchers found a positive affect of reserve price on the selling price while others have observed a negative affect. We propose a partially linear model (PLM), that unlike previous studies, allows explicitly for a possible non-linear effect of the reserve price on the selling price by modeling its impact as a non-parametric function. The PLM simultaneously incorporates a non-linear effect of reserve prices on selling, endogeneity of number of bidders, and the censoring of the selling price, allowing us to disentangle these separate effects. We find that the impact of the reserve price on the selling price is clearly non-linear. Depending on the product category this effect may either be monotonic or non-monotonic, and may lead to an S-shape relationship. The latter implies that when there are no reserve prices, increased competition leads to higher average selling prices while low reserve prices provide low reference prices resulting in low average selling prices. However, after some level, further raising the reserve price leads to a decrease in the average selling price due to the likelihood of no-sale. The observed non-linearity provides a potential explanation for the inconsistencies in the empirical results of previous studies.

2 - Dynamic Forecasting of Prices in Online Art Auctions

Mayukh Dass, Doctoral Student, University of Georgia, 107 Brooks Hall, Terry College of Business, Athens, GA, 30606, United States, dass@uga.edu, Shanshan Wang, Wolfgang Jank, Srinivas Reddy, Galit Shmueli

Prior price forecasting researches in online auctions using eBay data have investigated auctions of low priced and low price-variable items like notebooks and PDAs. In this paper, we investigate online auctions of high priced heterogeneous products such as Modern Indian Art, where final prices vary from a few thousands of dollars to a few million.

Due to its higher stakes, crucial information like projected final price of the art items is greatly valued by both auctioneers and bidders. One way of getting such information is via forecasting models calibrated from past auctions. We develop a dynamic forecasting model for online auctions. By dynamic, we mean two things: First, it operates during the ongoing live auction and reacts to changes in the system in real time. Second, our model also incorporates price dynamics. By price dynamics we mean the speed of price and the rate at which this speed changes. Price dynamics are especially intriguing in a forecasting setting because they anticipate changes. Our model first forecasts changes in the price velocity. Then, using the anticipated change in the price velocity, our model forecasts a change in the price. We conceptualize our model within the context of functional data analysis, which treats the price paths in each auction as a single functional observation. Then, learning commonalities and differences from a large sample of auctions, it infers a new, previously unobserved auction. We compare these two models with a set of competitor models and found our dynamic forecasting models significantly outperform competing approaches. Insights for auctioneers (to increase revenue by focusing on specific artists, optimizing item order and to encourage bidders to participate at specific auction time) are also provided.

3 - Exploring Market Structure of Heterogeneous Products Using Bidder Behavior in Online Auctions

Srinivas Reddy, Robert O. Arnold Professor of Business, University of Georgia, 149 Brooks Hall, Terry College of Business, Athens, GA, 30606, United States, sreddy@terry.uga.edu, Mayukh Dass

Online auctions provide a wealth of information not only regarding the movement of prices but also a detailed account of bidder behavior. In a heterogeneous multi-item online auction (such as art auctions where each art object is unique), where bidders bid on multiple items over the auction and reveal their preferences, provides a unique setting to understand the market structure of these heterogeneous objects and potentially identify complements and substitutes. At a fundamental level, bidders' bidding on a particular lot (auctioned items) or a group of lots can be considered as his or her purchase intent of those items. Considering such purchase desires of all the participating bidders and the time at which the bids were placed, we develop a measure of similarity between the different items in the auction. Different scaling techniques were used to explore the market structure of 44 paintings by nine artists from an online auction of modern Indian Art held in March 2005. Not surprisingly, preliminary results show that paintings of the same artist are closer to each other than paintings created by different artists. We also found the media of the artwork, i.e. canvas or paper, and the final realized price of the paintings as the most effective differentiating dimensions of the artist/art market structure. This research shows a unique way to utilize bidding information in online auction to explore market structure of heterogeneous products. In addition to identifying the paintings which are complements and substitutes, applicability in other settings and managerial implications of the outcomes are discussed to facilitate auction houses to optimize their auction design.

■ FC09

Seminar Room 3.1 (Room 3001)

Bundling, Branding and Choice

Chair: Benjamin Kartono, Assistant Professor, Nanyang Technological University, Nanyang Business School, Nanyang Avenue, S3-B2C-92, Singapore, 228068, akartono@ntu.edu.sg

1 - Packaging: Are Consumers Paying for Price Discrimination, Service Provision or Both

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In retail stores consumers are offered choices between large packages and small packages. Typically, large packages are subject to quantity discounts. In the marketing literature on bundling a distinction is made between price bundling and product bundling. If no services are provided by the packaging the situation described is viewed as price bundling; if services are provided by the packaging the situation described is viewed as product bundling. In this paper we show on the basis of two simple experiments that many consumers do value the freshness services provided by size or type of packages. Hence, packaging should be viewed as product bundling for these consumers. Nevertheless, variations in the willingness to pay for these services among consumers also allow variation in the ability to use packaging as a price discrimination device across consumers and product categories. An advantage of our approach is that we can control for volume purchased in the experimental setting. Standard empirical methodologies indicate a preference for small size packages despite higher per unit prices and a positive association between large package size and large volume purchases. Once

we control for volume purchased, however, we find a preference for large packages. This result suggests that the preference for small packages was driven by a lower total price. Our analysis also has implications for expansion of packaging alternatives by both name brands and store brands as well as for the welfare effects on consumers of introducing additional packaging alternatives.

2 - An Experimental Design to Determine How Consumers Evaluate a Product Bundle on the Internet

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The Internet provides a significant information barrier by restricting communication of certain types of sensory product attributes due to inherent limitations in bandwidth. This problem exacerbates in the case of products or product bundles merchandized on the Internet, due to the resultant information asymmetry (caused mainly by the bandwidth constraints) between a firm and a consumer; a consumer's evaluation of the product bundle changing across the brick and mortar [B & M] channel and the Internet [I]. In other words, a consumer may not evaluate the same product identically across B & M and I. We highlight the fact that in an online context a consumer's evaluation of a product bundle is essentially a task of processing a product image on the visual display unit (computer screen) and thereafter relate the evaluation of product bundles to the evaluation of other structurally and/or conceptually similar images of bundled objects. We provide a classificatory scheme for product bundles and subsequently propose that a consumer's evaluation of a product bundle is dependent upon the bundle structure. Further, we delve into the effect of the differences in bundle structures on the evaluation of a product bundle on the Internet. We conduct pilots for manipulation checks and to ascertain whether consumers distinguish between distributed and concentrated product bundles, wherein distributed bundles do not have a well defined anchor component in the bundle, as opposed to a concentrated one. Thereafter, we develop and implement an experimental design to check for holistic vis-à-vis component wise evaluation of a distributed bundle in an online context.

3 - Brand Bundling: The Role of Brand Equity in Bundle Choice

Benjamin Kartono, Assistant Professor, Nanyang Technological University, Nanyang Business School, Nanyang Avenue, S3-B2C-92, Singapore, 228068, akartono@ntu.edu.sg, Vithala Rao

The bundling of separate goods and services in a single package and selling it for a single price is a popular marketing strategy. At the same time, brand equity measurement and management continue to be important issues in marketing. This paper examines the role of brand equity in consumer choice situations involving bundles of products of different brands under a pure bundling strategy on the part of the seller. We draw upon the extant research in bundling and brand equity to develop a general model of bundle choice as well as a methodology for examining brand equity interactions among bundle items. We also propose a method for measuring the composite brand equity of the bundle in monetary terms, expressed as a function of the consumer's reservation price. We illustrate an empirical application of our approach using data collected in a survey-based choice experiment and estimate our bundle choice model using Hierarchical Bayesian methods that enable us to estimate individual-level parameters with a flexible mixture of normals heterogeneity specification. Our results suggest that brand effects do play an important role in consumer bundle evaluation. Brand equities of individual bundle items interact significantly to affect the overall bundle brand equity and this equity forms a significant part of a consumer's total valuation for the bundle. This phenomenon has implications not just for sellers' bundle design strategies, but also other applications involving the marketing of multiple brands together, such as cross-selling and brand alliances.

FC10

Seminar Room 3.2 (Room 3003)

Manufacturers - Multiple Retailers Interaction

Chair: Benaissa Chidmi, Assistant Professor, Texas Tech University, P.O. Box 42132, Lubbock, TX, 79413, United States, benaissa.chidmi@ttu.edu

1 - Slicing the Profit Pie: A Structural Model of Manufacturer and Retailer Competition

Kanishka Misra, Marketing PhD Student, Kellogg School of Management, 2001 Sheridan Road, Evanston, IL, 60208, United States, k-misra@kellogg.northwestern.edu, Karsten Hansen, Eric Anderson, Vincent Nijs

In most consumer packaged goods industries, manufacturers sell their products to the end-consumer through retailers. Two key economic features of this setting are (a) the nature of vertical interactions between manufacturers and retailers and (b) the horizontal competition between manufacturers and between retailers. Analytical models in economics

and marketing predict that observed market outcomes (prices and demand) depend on these factors. In turn these factors determine the distribution of profits in the market between competing manufacturers and retailers. In this paper we develop a structural model that incorporates both vertical channel interactions and horizontal competition. We assemble a unique dataset with wholesale prices charged to retailers by one manufacturer and the retail prices and quantities for all products in a category. We estimate our model for two retail chains in a large metropolitan area. Importantly, in these data we observe both vertical interactions between the chains and one manufacturer and horizontal competition between retail chains.

2 - Quantity Commitment, Endogenous Competition, and Downstream Economic Rents

Desmond Ho-Fu Lo, Doctoral Candidate, University of Michigan, 701 Tappan Street, Ann Arbor, MI, 48109, United States, hofulo@umich.edu, Mrinal Ghosh, Francine Lafontaine

Manufacturers often devise mechanisms that enable downstream dealers to earn economic rents. In this paper we briefly discuss why and then investigate how a software manufacturer might induce its dealers to earn rents and empirically estimate the amounts of downstream economic rents "left on the table" by the manufacturer. The paper begins with a description of the ordering process that the manufacturer uses, which then feeds into a game theoretic model of the interaction between the manufacturer and its dealers. The model shows that in a context where rent generation mechanisms such as vertical restraints and fixed fee transfers are unavailable, a combination of quantity commitment and quantity discounts allows the manufacturer to control the extent of downstream competition, and thus economic rents. We show that the outcome of price competition between dealers can be set at any level from Bertrand to Cournot by a judicious choice of the discount rate. Matching some of the key results of the theory to the actual contractual arrangements and data, we find that the downstream competition that results from the manufacturer's actual choice of ordering process gives rise to Cournot outcomes for the dealers. Given this result, we then estimate the unobserved resale prices, and hence the economic rents earned by each dealer, over a one-year period using longitudinal data obtained from the manufacturer. In other words, we are able to estimate the amount of downstream economic rent "left on the table" by the manufacturer. We find that the manufacturer leaves both ex ante and ex post rents on the table across a heterogeneous group of dealers.

3 - The Role of Retail Services In Food Market Equilibrium

Benaissa Chidmi, Assistant Professor, Texas Tech University, P.O. Box 42132, Lubbock, TX, 79413, United States, benaissa.chidmi@ttu.edu, Rigoberto Lopez

The increasing importance of services in industrialized economies is reflected in the relative importance of service in product offerings at the retail level. Yet, typical economic studies account only for physical product attributes in models of product differentiation even when conducted with retail data. In U.S. food retailing, the issue is very important as raw farm products account for only 19% of every dollar the consumer pays for food, most of the remaining going to services that do not transform the product but that add consumer utility and cost. In this paper, we examine this issue using the case of breakfast cereals in Boston in the context of upscale retail services provided by supermarkets. Focusing on ready-to-eat cereals (RTECs) allows us to look more closely at the role of services in product market equilibrium. First, supermarket retail services go beyond the obvious single product exchange function as consumers value services and suppliers incur a cost in providing them. Second, retail services affect the primitives of the market, i.e., demand and costs; hence, they also affect retail prices. Third, regardless of inter-supermarket variation in costs and prices, the issue of who's got the power in the RTEC vertical market channel has been a hotly debated issue. The usual suspect has been the RTEC manufacturing industry, although previous studies have not modeled the retailing stage of the marketing channel to determine their relative contribution to channel price-cost margins and the role of retail services. The conventional wisdom is that the RTEC manufacturing industry mutes price competition and engages in non-price competition. This paper contributes to the literature in two important ways. First, it extends the Berry, Levinsohn and Pakes (BLP, 1995) model of market equilibrium to RTECs in Boston by including consumer taste for supermarket retail services. Second, it tests and compares alternative pricing games between manufacturers and supermarkets in order to assess their relative market power.

■ FC11

Seminar Room 3.3 (Room 3005)

Pricing VII - Pricing & Game Theory

Chair: Teck Ho, Professor, University of California-Berkeley, Haas School of Business, 545 Student Services #1900, Berkeley, CA, 94720, United States, hoteck@haas.berkeley.edu

1 - "Let Me Talk to My Manager Again": Competitive Implications of Haggling

Tony Cui, University of Minnesota, 321 19th Ave South, 3-150 CSOM, Minneapolis, MN, 55455, United States, tcui@csom.umn.edu, John Zhang

Firms in many markets, such as auto and furniture markets, commonly post their prices, but also allow consumers to haggle on prices. Using a Bertrand duopoly Nash bargaining model, we investigate how haggling can mitigate price competition between firms when both firms are competing for both haggling and non-hagglers. Our analysis shows that this dual pricing mechanism may allow competing firms to collude tacitly if the number of hagglers in the market is sufficiently large.

2 - Are Prices Sticker Downwards? Understanding the Rockets and Feathers Phenomenon

Hong Yuan, Assistant Professor of Marketing, University of Illinois at Urbana-Champaign, 1206 South 6th St., Champaign, IL, 61820, United States, hongyuan@uiuc.edu, Song Han

The Rockets and Feathers problem refers to the phenomenon that retail prices rise faster than they fall in response to cost shocks. It was first found in gasoline markets where refined gas went up immediately whenever there was a positive shock in crude oil. However, when the crude prices fell, the price paid at the pump drifted down like a feather. The same phenomenon was later documented in banking industry, agriculture markets, on-line mortgage markets, and other producer and consumer goods markets. Economic theory suggests no pervasive tendency for prices to respond faster to one kind of cost change than to another. In the traditional pricing theory, input price increases or decreases move marginal costs and prices up or down symmetrically and reversibly. Although adjustment cost or search cost are used to explain lags in response, there is no general reason for cost shocks to induce asymmetric lags. We develop a game theoretic model to explain this phenomenon by incorporating buyer sequential search decision and seller dynamic pricing decision. Similar to the formulation of reference price in Kopalle et al (1996), in our model consumer price expectations is an exponentially weighted average of past observed prices where more recent prices are given greater weight. We derive Perfect Bayesian Equilibrium and show that consumers search less when prices are lower compared to last period. As a result, retailers have incentives to lower their prices just enough to prevent consumers search when wholesale prices fall which causes the prices to be stickier downwards. This not only explains the rockets and feathers problem but also provides useful insights into how consumer search affects retailers' dynamic pricing strategies.

3 - A Behavioral Theory of Pricing

Teck Ho, Professor, University of California-Berkeley, Haas School of Business, 545 Student Services #1900, Berkeley, CA, 94720, United States, hoteck@haas.berkeley.edu

This paper develops a behavioral theory of pricing that generalizes standard theories of economics. The theory allows buyers to have reference-dependent preferences and to make mistakes in responding to offers from their sellers. Sellers take these behavioral tendencies into consideration when designing their optimal pricing offers. The theory can explain several anomalies from economic experiments involving linear pricing, two-part tariffs, multi-block tariffs, and three-part tariffs.

■ FC12

Seminar Room 3.4 (Room 3007)

Public Policy and Market I

Chair: Sourav Ray, Assistant Professor, Marketing, McMaster University, DeGroote School of Business, 1280 Main Street W., Hamilton, ON, L8S-4M4, Canada, sray@mcmaster.ca

1 - Agency Representation and Outcomes in Real Estate Markets

Kristin Rotte, Asst. Professor, Australian Graduate School of Management, University of New South Wales, Gate 11, Botany St, Kensington, NSW 2052, Australia, kristinr@agsm.edu.au, Murali Chandrashekar

This project, at the intersection of real estate and marketing, focuses on the effect of the real estate channel configuration on customers. In particular, we examine market outcomes when the buyer and seller are represented by the same agent, or by individual agents who work for

the same real estate company. These 'dual agency' situations - where the same agent (or company) has an interest in both sides of the transaction - occur frequently (over one in four houses in the US are co-brokered within same firm and almost one in four houses are listed and sold by same agent). Employing Multiple Listing Service data, and controlling for sources of unobserved heterogeneity, we investigate whether any quantitative differences exist (e.g., higher sale prices, fewer days on market) in dual agency vs non-dual agency transactions.

2 - Spatial Analysis of Consumption Behavior

Minakshi Trivedi, Associate Professor, State University of New York at Buffalo, Jacobs Management Center, Buffalo, NY, 14260, United States, mtrivedi@buffalo.edu, Sharmistha Bagchi-Sen

While brand preference is often 'taste' or 'preference' specific, the consumption of healthy products may well be a function of demographic attributes such as age or education, and geographic regions such that inner city areas with typically higher population densities often have constraints on access to the larger stores which carry the breadth of variety required for offering healthier food options. Furthermore, we propose that consumers may very well change the pattern of their consumption (healthy or otherwise) across different categories so that healthy consumption over one category may not necessarily indicate healthy consumption over all categories. While such products appear to proliferate in the market place, the evidence regarding public health seems to indicate that this proliferation does not necessarily translate into purchasing and consumption (Balasubramanian and Cole 2002, Kozup, Creyer and Burton 2003). Could consumption, in fact, be a function of 'geodemographics' - that is, a combination of regional characteristics of the neighborhood in which they live, combined with demographic variables, to form an overall consumer profile. Using a spatial regression model, and a complex data set, we show that consumers are indeed purchasing healthier products - at least, some of them are, for some of the time and some of the categories. Resolving such issues will have a significant impact on determining why public policy has seen only marginal success in its effort to impact public choice behavior.

3 - Electronic Shelf Labels (ESL): Implications for Retailers, Prices, and Pricing

Sourav Ray, Assistant Professor, Marketing, McMaster University, DeGroote School of Business, 1280 Main Street W., Hamilton, ON, L8S-4M4, Canada, sray@mcmaster.ca, Mark Bergen, Daniel Levy

For the retailer, Electronic Shelf Labels (ESL) promise a significant decrease in the variable costs and lead times associated with changing prices. Despite the hefty initial capital outlay, ESL has therefore been deployed by many retailers. Casual accounts of the technology suggest the retail savings and procedural efficiency will eventually be parlayed into consumer benefits in the form of better (lower and more accurate) prices. No doubt, spurred by this, some states in the U.S. have even passed pricing laws that exempt retailers from more stringent pricing requirements if they adopt the ESL technology. Yet, no systematic study exists to calibrate the scale and scope of such retail savings. Whether any benefits do accrue at the consumer end, is also left largely unexplored. In this paper we first present some empirical data to describe the magnitude of such savings in the context of a specific grocery supermarket. Second, we present results from a couple of empirical studies that attempt to calibrate the benefits for consumers. We then consider the impact such technologies can have on the retail industry at large by considering some key strategy and policy issues.

■ FC13

Seminar Room 3.7 (Room 3026)

Market Research III: Latent Class Methods

Chair: Andrés Musalem, Assistant Professor of Marketing, Duke University (Fuqua), 1 Towerview Dr., Durham, NC, 27708, United States, amusalem@duke.edu

1 - A Rank-Ordered Logit Model with Unobserved Heterogeneity in Ranking Capabilities

Bram van Dijk, Erasmus University Rotterdam, P.O.Box 1738, Rotterdam, 3000DR, Netherlands, avandijk@few.eur.nl, Dennis Fok, Richard Paap

In the typical survey, respondents are asked to choose their most preferred option from a choice set. It is well known that more information can be obtained if one instead asks for a ranking of alternatives. In theory this rank ordered information will yield more efficient estimates. However, when individuals are unable to perform part of this ranking, one may introduce a substantial bias. The common approach in the literature is to only use the k most preferred alternatives. However, this approach does not allow the ranking ability to be heterogeneous. In this paper we introduce a rank-ordered logit model which uses latent segments to endogenously identify the heterogeneous ranking capabilities

of individuals. We illustrate our model using simulations and a survey on the demand for game consoles amongst students. It seems that the standard rank-ordered logit model can be severely biased. Using our model we obtain more precise estimates than using a standard multinomial logit [MNL] model. For the application, the MNL model only finds one significant parameter, whereas in the new model we find six. In fact, we show that the results of the MNL model are also biased, as there are respondents who are not able to report their most preferred alternative. Overall, using our new model, it is very attractive to ask respondents in a survey to rank different options instead of asking them to only pick their most preferred option. Our new model allows us to take advantage of the additional information available in these rankings without being prone to biases due to noise in the rankings. The resultant efficiency gain means that one needs fewer respondents to attain a preferred precision, which in turn reduces the cost of the survey.

2 - Reducing the Optimal to an Useful Number of Clusters for Model Based

Pascal van Hattum, PhD, Utrecht University, Marimabastraat 15, Amersfoort, 3822DD, Netherlands, p.vanhattum@fss.uu.nl, Herbert Hoijtink

Market segmentation is the process in marketing of grouping customers into smaller subgroups according to a certain segmentation basis. In modern market segmentation research a variety of different types of segmentation bases and methods is used. This paper uses an example of a particular framework, namely Brand Strategy Research (BSR), that uses psychographic items as segmentation basis. The segmentation method that is used in this paper is a model based clustering, as proposed by Van Hattum and Hoijtink (2006). No matter what segmentation basis and/or method is used, market segmentation is only practically useful if the effectiveness and profitability of such marketing activities are influenced substantially by discerning separate homogeneous groups of customers. Using six criteria, described by Wedel and Kamakura (2000), the effectiveness and profitability of market segmentation can be determined. Using these six criteria, prior knowledge about the underlying theoretical framework, an information criterion and two conjectures describing the geometry of model based cluster models, presented by Hoijtink and Notenboom (2004), two procedures to reduce the (statistically) optimal number of clusters to a smaller number suited for marketing purposes are presented.

3 - Modeling Response Styles in Cross-Cultural Research: A Latent-Class Bilinear Multinomial Logit Model

Joost van Rosmalen, PhD Candidate, Erasmus University, Postbus 1738, Rotterdam, 3000 DR, Netherlands, vanrosmalen@few.eur.nl, Hester van Herk, Patrick J. F. Groenen

Respondents can vary significantly in the way they use rating scales. Specifically, respondents from different countries can exhibit varying degrees of response bias such as extreme response style and acquiescence. We investigate to what extent responses given to items measured using rating scales show response bias and substantive content. We develop a model that, for the first time in the literature, especially accounts for substantive content of items, response styles of respondents, and background characteristics of respondents. By imposing a bilinear structure on the parameters of a multinomial logit model, we are able to visually distinguish the effects on the responses of both the characteristics of a respondent and the content of the item. Using finite mixture modeling, we obtain two segmentations of the respondents, in which response style and content function as respective bases of segmentation. We apply our model to a data set of responses from 3840 respondents to cultural values in five European countries. The results of our model seem promising and clearly show the relative effects of the respondents' personal characteristics and the content of the items on response behavior.

4 - An Ecological-Inference Model for Drawing Conclusions about Individuals from Aggregate Data

Andrés Musalem, Assistant Professor of Marketing, Duke University (Fuqua), 1 Towerview Dr., Durham, NC, 27708, United States, amusalem@duke.edu, Wagner Kamakura

The increasing concern for consumer privacy and legal requirements that certain data be reported only at a minimum level of aggregation are limiting access to data at the consumer level. Some data, such as census data, election results and medical records are only available at some level of aggregation, and with the growing concerns for privacy, this limitation is likely to extend to other data sources. Because most theories in marketing focus on the behavior of individual consumers, marketing research based on aggregate data is prone to aggregation biases, requiring the use of ecological inference. We propose an ecological inference method that allows the marketing researcher to draw conclusions about the association among categorical variables within each

market area, even when there are only data on the marginal distribution of each variable in each market. The proposed methodology relies on the formulation of a latent class model where each consumer belongs to one of S segments and each segment is characterized by a different (multinomial) mix of the association variables (e.g., most individuals in segment 1 might be high-income female consumers, while most individuals in segment 2 might be low-income male consumers). Furthermore, different market areas exhibit different proportions of consumers belonging to each of these segments. Consequently, by determining the mix of classes in each market area, we are able to estimate the potential associations among the variables under study for each of those markets. The model is estimated using MCMC methods and the methodology is illustrated and validated using both simulated and real data sets.

FC14

Seminar Room 3.8 (Room 3028)

Response Models

Chair: Jitendra Kumar Das, Professor, Indian Institute of Management Lucknow-Noida Campus, Noida Campus, A-3, Sector-36, Noida, UP, 201301, India, j.das@iimlnc.ac.in

1 - Pooling Time Series and Cross Sectional Data for the Analysis of Dynamic Marketing Systems

Csilla Horvath, Assistant Professor, Nijmegen School of Management, Radboud University Nijmegen, PO Box 9108, Nijmegen, 6500 HK, Netherlands, c.horvath@fm.ru.nl, Jaap Wieringa

Vector Autoregressive models became popular in analyzing competitive marketing systems. However, a drawback of VAR models is that the number of parameters can become very large. This may cause estimation problems, due to a lack of degrees of freedom. If data on several cross-sectional units are available, pooled models that combine time series data for multiple units (stores) can be employed to partially alleviate these problems. An important issue in estimating pooled dynamic models is how heterogeneity among cross sections is accounted for. If the cross sections are treated as homogenous while they are not, the resulting parameter estimates will be biased. In order to avoid these biases, the model should accommodate a sufficient degree of heterogeneity. However, a model that needlessly allows for heterogeneity requires the estimation of extra parameters and hence, reduces estimation efficiency. In this paper we investigate the forecasting behavior and the accuracy of impulse response analysis of pooling approaches that accommodate different levels of heterogeneity. We conduct a Monte Carlo simulation study in which the data generating process of the VAR systems are derived from a market response function and a managerial decision function. We also compare the out of sample forecasting behavior of the alternative approaches based on real data. Our results show that in case of homogeneity the alternative estimation techniques perform similarly and find superior performance for more parsimonious models. When heterogeneity is present models that do not allow for heterogeneity result in worse out of sample forecasts and less accurate impulse response analysis than those that allow for heterogeneity. The worse performance is mainly due to larger bias.

2 - Customization of Online Promotions across Multiple Categories

Feray Adiguzel, Assistant Professor of Marketing, Free University of Amsterdam, De Boelelaan 1105, Amsterdam, 1081HV, Netherlands, fadiguzel@feweb.vu.nl, Jie Zhang, Michel Wedel

In many retail settings, the number of promotions offered to a given consumer is limited to a fairly small number due to space limitations. This is particularly true for featured online promotions which often have to appear on one screen. Retailers have been using various heuristics to select the promotions to be included in the limited feature space, such as the front page of a web site, and these promotions are usually common across all consumers. With the Internet technology and other customization methods, however, there is great potential to be explored on how to customize the set of promotions provided to individual consumers. In this paper, we propose a methodology to customize promotions across multiple categories. The main objective is to select a small number of categories to be promoted to each consumer out of a much greater number of potential categories. For a given set size, the specific categories included in the featured promotions are optimized for each consumer based on her purchase history data and interdependences across multiple categories. To achieve this, we construct a multi-category purchase incidence and quantity model (specifically, multivariate probit/tobit) that accounts for interdependences in these decisions across multiple categories. Based on this consumer response model, we design an optimization program using a modified Federov algorithm to gener-

ate the best combination of categories to be promoted to each individual consumer that maximizes the expected total profit for the retailer. The model estimation and optimization are conducted simultaneously in a Bayesian framework. We apply the proposed methodology to data provided by an online retailer. Our approach can also be adopted by offline retailers who offer customized promotions.

3 - The Influence of Carryover Specification and Estimation on Budget Allocation - A Simulation Study

Dennis Proppe, Christian-Albrechts-University at Kiel,
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Since the seminal works of Koyck (1954) and Nerlove/Arrow (1962) the dynamic effects that marketing efforts have on sales (and subsequently profits) have been studied in numerous empirical and conceptual studies. However, to the author's knowledge there are no simulation studies evaluating the impact of carryover specification on resource allocation. The authors seek to improve the scarce knowledge on this important issue by conducting a comprehensive computer simulation experiment. The goal is to identify the impact that different ways of modeling carryover effects have on profitability. Our study simulates the carryover effect and a number of other experimental factors for an allocation task based on a multiplicative sales response model. For the generated data sets we estimate different carryover specifications with the help of various methods in different estimation frameworks. The resulting parameter outcomes are entered in a resource allocation optimization model which generates allocations of marketing activities to sales entities. Knowing the allocation, we can calculate the simulated expected profits for the respective factor combination and compare it to the true profit maximum known from the specification of our experiment. Based on this performance measure of every carryover specification we can give recommendations on which carryover specification should be used under which circumstances. This study contributes to the modeling literature by quantifying the consequences of research decisions on resource allocation decisions. Therefore it is also of value to practitioners by helping them choosing the appropriate carryover specification for their resource allocation task.

4 - An Approach to Model Impact of Marketing Effort on Market Share in a Transition Market

Jitendra Kumar Das, Professor, Indian Institute of Management
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Globalization or liberalization of the global markets is impacting shifts in markets. The competition is at an all time high and organizations want to know how best to deploy resources to optimally attain desired market-share in a planned time frame. Essentially, with the introduction of a new product the market share of the existing product is expected to change and size of the market may also increase due to marketing effort. New entrants to the market would consider it desirable that their market share increase in a time bound manner. A new entrant to the market is expected to deploy increased 'marketing effort' to reach its desired market performance. A generic dynamic analytical model has been developed oriented on rate of decline of an existing product in a market and rate of increase in share of the market for the new product. The model can be applied to business situations, such as, shift from offline to online buying, domestic brand to international brand, social marketing effort at introducing new programs and in markets that can be characterized as being under product or value transition. Two composite parameters used in this modeling approach are c1: the effort to enhance customers' propensity to change and try new products; and c2: the effort to make available products of desirable values. Both variables are under the control of the new entrant to the market. After assessing c1, c2 as described, and potential market growth one can assess the time required to reach the potential market. If this time is considered unsuitable, then c1 and c2 must be changed appropriately. This will provide a strategic tool to marketers to assess resource deployment to achieve the potential market share in optimal time.

■ FC15

Seminar Room 3.9 (Room 3029)

Sales Force Management I

Chair: Qiang(Steven) Lu, University of Sydney, cnr Codrington and Rose Steets, Sydney, Australia, s.lu@econ.usyd.edu.au

1 - Designing Optimal Sales Contests: Does the Prize Structure Matter?

Noah Lim, Assistant Professor, University of Houston, 334 Melcher Hall, Houston, TX, 77204, United States, noahlim@uh.edu,
Michael Ahearne, Sung Ham

Sales contests are short-term incentives widely used by managers to raise effort levels of salespeople and meet sales objectives. Marketing theory suggests that the structure of the optimal sales contest should have two characteristics: 1) the number of winners (i.e., salespeople who receive prizes) should be more than one, and that 2) there should be spreads, or differences in the values among the prizes. However, this theory's usefulness has been limited because designing a contest with these two characteristics is mathematically complex and more importantly, the theory has not been empirically validated. Empirical validation is particularly important because the theory relies crucially on strong assumptions about the economic rationality of salespeople. This study makes two contributions: First, we extend theory by showing that having multiple winners in a sales contest is much more important than having differences in the values among the prizes. Second, we test the theoretical predictions using a set of laboratory and field experiments. The results show that the model predicts actual behavior and sales outcomes remarkably well despite its underlying assumptions. Hence, marketing theory can serve as a useful guide for managers in designing optimal sales contests.

2 - Measuring the Outcomes of Sales Teams: Does Training Really Pay-Off?

Sujana Adapa, PhD Student, University of New England,
New England Business School, Armidale, Ne, 2351, Australia,
sadapa@une.edu.au, Jennifer Rindfleish

The present study examines the effects of training on sales performance, effectiveness, customer orientation and customer communication in the context of a banking sector at Chennai, in India. One of the recent trends in sales research has been a growing focus on relationally based interactions. There is no empirical evidence in the existing sales literature about the interrelationships of customer orientation, adaptability and sales performance. Also, there is a lack of evidence related to the impact of training on customer orientation and sales adaptability. Data from questionnaires measuring these constructs were collected from 127 sales people dealing with the personal selling of credit cards in the banking industry in India. Results reveal the positive effect of training investment and specific training needs in increasing sales force performance and further enhancing their effectiveness. The specific variables of customer orientation and customer communication are affected positively when specific training methods and contents are implemented. On its own the variable of customer orientation has an impact on performance, whereas, there exists no association between the variables customer communication and performance. The interaction effect of sales force performance with the number of training sessions attended has a significant impact on sales force effectiveness. The managerial implications of these findings are discussed and suggestions for further research are recommended.

3 - Retain Experienced Sales People: Compensate Them More, or Let Them Go?

Qiang(Steven) Lu, University of Sydney, cnr Codrington and Rose Steets, Sydney, Australia, s.lu@econ.usyd.edu.au, Ranjit Voola,
Jiadong Tong, Xuefei Bai

Sales people are critical to a firm's competitive advantage, particularly in the B2B market. Therefore, retaining sales people is a key issue for firms. Furthermore, literature has suggested various characteristics of sales people and organisational variables that affect the effectiveness of a sales person (e.g., conducive organisational culture, motivating supervisor, age and compensation). A key variable is that of the sales person's experience as it allows for building trusting relationships with clients and therefore allowing for better serving the customers. Furthermore, both intrinsic and extrinsic motivations have been highlighted as affecting a sales person's effectiveness, a key variable is undoubtedly monetary compensation. Essentially, this study investigates the impact of sales force turnover, in the context of a company's sales performance. Specifically, based on a panel data from large multi-national software

firm, analysis is conducted to understand the optimal compensation strategy and its effects on job satisfaction. The data set includes detailed sales figures for each sales person for a few years (e.g., initial contact date, product type, price, closing reason and date, main competitors and compensation information). During our data period, some sales people moved from the firm, enabling us to analyse the impact of sales force turnover on the company and to explore some potential problems and solutions that have not been comprehensively addressed. This will then shed some light on how to retain experienced sales people.

■ FC16

Seminar Room 3.10 (Room 3031)

Market Orientation

Chair: David Zhang, Associate Professor, University of Saskatchewan, 181 Freedman Crescent, Winnipeg, MB, R3T 5V4, Canada, david_di_zhang@yahoo.com

1 - Achieving Competitive Advantage in Emerging Economies: Market Orientation versus Managerial Ties

Julie Li, Assistant Professor, City University of Hong Kong, Department of Marketing, City University of Hong Kong, Kowloon Tong, Hong Kong - ROC, julieli@cityu.edu.hk, Kevin Zhou, Alan Shao

As emerging economies experience unprecedented changes in their social, legal, and economic institutions, on what should foreign firms focus more to overcome this challenge, market orientation or managerial ties? This study investigates how managerial ties and market orientation affect positional advantages and, consequently, firm performance in an emerging economy, China. On the basis of a study of 179 foreign firms in China, we find that both managerial ties and market orientation can lead to firm success—but in different ways. Market orientation enhances firm performance by providing differentiation and cost advantages, whereas managerial ties improve performance through an institutional advantage (i.e., superiority in securing scarce resources and institutional support). Institutional advantage, in turn, leads to differentiation and cost advantages and consequently superior performance.

2 - How Strategic Orientations Influences the Building of Dynamic Capability in Emerging Economies

Bingxin Li, PhD Candidate, The University of Hong Kong, School of Business, Meng Wah complex, The University of Hong Kong, Hong Kong, - ROC, bingxinli@business.hku.hk, Kevin Zhou

Under the fierce pressures of the fast changing environments that characterize emerging economies, firms must develop dynamic capabilities to survive the competition. This study examines how strategic orientation helps build dynamic capability and its contingencies in China's emerging economy. A survey of 380 firms indicates strategic orientations are important drivers of adaptive capability, a key element of dynamic capabilities and consequently firm performance. Furthermore, the effectiveness of strategic orientations is contingent on market dynamics. In particular, when market demand becomes increasingly uncertain, customer orientation has a weaker impact and technology orientation has a stronger effect on adaptive capability. As competition intensifies, both competitor and technology orientations build adaptive capability more effectively.

3 - Market Orientation, Customer Selectivity and Organizational Performance

Aamir Khan, INSEAD, Aamir.KHAN@insead.edu

Considerable evidence has emerged that whereas market orientation may be positively associated with firm performance in the manufacturing context, this may not be the case in the service context. This paper argues that market orientation, which derives from the marketing concept, does not discriminate among customers on the basis of their profitability. It offers an alternate construct, customer selectivity, anchored in the CRM literature, as a key driver of performance for service firms. It is argued that in industries where interactions between firm and customer are repeated and cost to serve is variable, customer selectivity is a more appropriate driver of organizational performance than market orientation. Also, the cost to serve negatively moderates the relationship between market orientation and performance, and positively moderates the relationship between customer selectivity and performance. Theoretical and managerial implications are discussed.

4 - Follow the Market, or the Gut

David Zhang, Associate Professor, University of Saskatchewan, 181 Freedman Crescent, Winnipeg, MB, R3T 5V4, Canada, david_di_zhang@yahoo.com

Market orientation (MO) has been the dominant theme in marketing strategy research for over two decades. Theories and empirical evidence generally support that MO has a robust positive influence on firm per-

formance. However, the emphasis has been placed on the logical, methodical, rational, and calculative aspect of strategic decision-making. At several occasions, the extant theories in marketing strategy face difficulties in explaining the innovative side of firm performance. Furthermore, it is argued that MO may not be able to provide competitive advantages that are sustainable. Recent research on marketing strategy indicates that other strategic orientations, such as entrepreneurial orientation (EO), which emphasizes on innovativeness, pro-activeness, and risk-taking, may potentially serve as a complementary route to market orientation. However, the interaction between MO and EO has not been fully explored. Through a national survey of Canadian business owners and managers, it was revealed that EO has a direct influence on firm's financial performance, but not on customer satisfaction and loyalty. In contrast, the influence of market orientation on financial performance is completely mediated through customer satisfaction and loyalty. Various antecedents to the choice of such strategic orientations were also explored. Specifically, this paper addresses how environmental factors, industry factors, and organizational factors co-influence the organizational decision-making processes, and how these factors steer manager's emphasis on different types of strategies.

Friday, 3:30 - 5:00pm (Session FD)

■ FD01

Seminar Room 2.1 (Room 2001)

Special Session: The Generation and Sales Growth of Life Science Innovations

Chair: Stefan Stremersch, Professor of Marketing at Erasmus University Rotterdam (the Netherlands) and Visiting Associate Professor of Marketing at Goizueta Business School, Emory University, Atlanta, Georgia (U.S.), School of Economics at Erasmus University Rotterdam, Burg. Oudlaan 50, PO Box 1738, 3000 DR Rotterdam, ZH, Netherlands, stremersch@few.eur.nl

1 - Introduction to Special Session: Marketing and Health

Stefan Stremersch, Professor of Marketing at Erasmus University Rotterdam (the Netherlands) and Visiting Associate Professor of Marketing at Goizueta Business School, Emory University, Atlanta, Georgia (U.S.), School of Economics at Erasmus University Rotterdam, Burg. Oudlaan 50, PO Box 1738, 3000 DR Rotterdam, ZH, Netherlands, stremersch@few.eur.nl

A new field within marketing is developing that investigates "marketing of health". Several factors drive the development of this field. First, it is highly relevant to society at large, given the many people that deal with health issues every day, either as a professional, patient, or manager. Marketing of health influences people's day-to-day lives. Second, government plays an important role in regulating the health and life sciences industry, thus health marketing research can have strong public policy implications. Third, given the government's involvement in regulation, many processes at the patient, physician, provider, company or market-level are reliably and continuously documented. This provides the availability of high-quality databases. Fourth, given the size of the industry, resources for supporting research are available. The familiarity with experimentation in this industry also provides behavioral researchers with a potentially enabling research context. Fifth, initial work shows that these markets may be driven by mechanisms that do not exist in other markets, such as residual ambiguity and the unique patient - payer - provider channel, to mention two of the most prominent ones. This special session illustrates high-quality research on the development of marketing science approaches to marketing of health issues.

2 - Marketing Technologies -Drivers of Licensing Success in the Biopharmaceutical Industry

Stefan Wuyts, Assistant Professor, Tilburg University, Warandelaan 2, P. O. Box 90153, Tilburg, 5000 LE, Netherlands, s.h.k.wuyts@uvt.nl, Shantanu Dutta

While a growing body of research in marketing examines the technological achievements of large established firms, relatively little attention has been devoted to the smaller players that often are the engine of technological improvement. The latter often are not equipped to translate technological breakthroughs into commercial products. Their most valuable "product" is technological knowledge; licensing agreements are a crucial source of revenue. We address the question what enables small innovative technology firms to effectively market technological knowledge through licensing agreements. Why are some firms better than other in terms of forging licensing agreements and generating licensing revenue? The life sciences industry is a case in point, as in the late 80s and 90s

numerous biotechnology firms have emerged that aimed at licensing biotechnological breakthroughs to established pharmaceutical firms. We develop a conceptual framework relating diverse drivers with licensing success. First, licensing success is a function of a firm's internal resources and capabilities. Second, we also consider a firm's second-order resources and capabilities accessed through alliances. We distinguish between downstream alliances with pharmaceutical firms, upstream alliances with (reputable) universities, and horizontal alliances with other biotechnology firms. Third, we consider the influence of organizational factors, such as contractual incentive schemes and structural positions in the web of individual-level connections between biotechnology firms. We test the developed theory for a panel of biotechnology firms. Theoretical implications for the marketing of technology and practical implications for innovative technology firms are discussed.

3 - Competitive Response to Radical Product Innovations

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Radical product innovations often are agents of creative destruction: they threaten to destroy existing market positions, and yet they often yield vast new market opportunities. This paper examines how competitors respond to the introduction of radical product innovations. The authors argue that competitive response to radical product innovations is inherently different from response to the incremental innovations that are typically studied in existing research. They introduce the dual concepts of market expansion and entry thresholds to develop new hypotheses about competitive response. Some of these hypotheses contradict prior literature. Using objective data from the U.S. pharmaceutical industry between 1997 and 2001, they estimate a shared-frailty hazard model to explain the competitive response to radical product innovations. Results show that the likelihood of competitive response is substantially higher when the introducing firm is large or market dependent. Moreover, the response is highest when the innovation is introduced in a small market by a large firm. These results contradict those from much prior research on competitive response to product innovation.

4 - The Effects of Generic and Branded Advertising Messages for a New Prescription Pharmaceutical

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We examine the effects of Direct-to-Consumer Advertising (DTCA) in a market where regulations impose requirements on the type and content of prescription pharmaceutical advertising. Specifically, only two types of DTCA messages are allowed: One so-called help-seeking advertising message, akin to a generic advertising message, where only information about the disease, and not a specific brand or device, can be communicated to the consumer. The other, is a brand-specific, or reminder, message containing information only about the brand, which should not be combined with any therapeutic-related information. This makes for two conditions of an interesting "regulation-induced" experiment, since it allows for a comparison between the effectiveness of branded and generic advertising messages. We examine the relative effectiveness of generic and branded advertising messages on both trial (new) and repeat prescriptions. Trial data exhibit an early peak and a quick exponential-like drop thereafter, and then they take on a more Bass-type of shape. We attribute this pattern to the presence of two markets: one consisting of high-risk inimitable innovators and another consisting of individuals primarily influenced by word-of-mouth. We explicitly model this phenomenon by using a dynamic probabilistic switching regime approach. Our findings suggest that both types of advertising have mainly persuasive effects as they tend to influence repeat purchases, and hence experienced consumers, more than trials. Somewhat more surprisingly, we find that the predominantly informational generic advertising messages do not influence trials.

5 - Modeling the International Sales Growth of New Drugs:

The Role of Economics, Culture and Regulation

Stefan Stremersch, Professor of Marketing at Erasmus University Rotterdam (the Netherlands) and Visiting Associate Professor of Marketing at Goizueta Business School, Emory University, Atlanta, Georgia (U.S.), School of Economics at Erasmus University Rotterdam, Burg. Oudlaan 50, PO Box 1738, 3000 DR Rotterdam, ZH, Netherlands, stremersch@few.eur.nl, Aurelie Lemmens, Walter Van Dyck

Prior literature in marketing has studied cross-national differences in the growth pattern of new consumer durables, either in sales, penetration or adoption. When one aims to model sales growth of new prescription drugs, this literature shows three important shortcomings: (1) the

sources of country variation typically used are economics and national culture, while regulation is always omitted; (2) the effects of country characteristics are assumed to have a constant effect over time on the growth pattern, while this is very likely not the case; (3) the sales growth of prescription drugs may show different patterns from durables and be affected differently by economic and cultural characteristics of nations. We study the sales evolution of 15 new molecules, across 4 therapeutic categories, and 53 countries, during their first 84 months. On this data, we estimate a time-varying coefficient model, to test our theoretical expectations, using penalized splines. We explore the time-varying effects of economic wealth, national culture and regulation on this sales growth process.

■ FD02

Seminar Room 2.2 (Room 2002)

Special Session: Internet Marketing

Chair: Arvind Rangaswamy, Anchel Professor of Marketing, Penn State University, 481 Business Building, Penn State University, University Park, PA, 16802, United States, arvindr@psu.edu

1 - Equilibrium Bidding Strategies in Online Advertising Auctions: A Dynamic Perspective

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We study dynamic price competition in the context of Internet advertising auctions, in which the bidders' bids and ranks can be updated and observed in real time. With a dynamic model, we find three possible equilibrium price patterns: (1) high-low bids: one bidder dominates with a very high bid; (2) low-low bids: both bidders bid the reserve price; (3) Edgeworth price cycles: prices build up and collapse in cycles. We empirically examine the real world behavior of the advertisers and find reasonable support to the price cycles result. We discuss the implications of these findings for collusion and price wars.

2 - A Critical Examination of Performance-Based Compensation Practices in Search Engine Marketing

Tanja Stepanchuk, Dr. (UA), University of Frankfurt, Faculty of Business and Economics, Mertonstrasse 17, Frankfurt, HE, 60054, Germany, stepanchuk@wiwi.uni-frankfurt.de, Eva Gerstmeier, Bernd Skiera

Search marketing incorporates search engine providers (e.g. Google Inc.), advertising companies and advertising agencies. Search engine providers use keyword auctions to sell their advertising space. Advertisers bid the amount of money they are willing to pay per click. The keyword auction determines the price per click and the rank order of the ads. Advertising companies rarely manage search marketing campaigns themselves, but often mandate agencies. Frequently, a performance-based compensation plan is used where the advertising company pays the agency a fee for each customer acquired. The fee has to cover the bidding costs and the agency's profit. Both, advertising companies and agencies, aim at maximizing their profits but this performance-based compensation system causes a goal conflict: The agency maximizes its profit, which is the product of the number of acquired customers times the difference between the fee and the acquisition costs per acquired customer. In contrast, the advertising company's profit is the product of the number of acquired customers times the difference between its profit (e.g. customer lifetime value) and the fee per acquired customer. The aims of our study are (i) to examine the suboptimality of this performance-based compensation system, (ii) to derive the characteristics which ascertain the deviations in bidding behavior, (iii) to develop an optimal performance-based compensation system, which better aligns the interests of advertising companies and agencies. Compared to the optimal performance-based compensation system our findings, based on an analytical model and a simulation study, reveal a substantial decrease in profit for both, the advertising company and the agency, under the current performance-based compensation system.

3 - Marketing Science and Search Engines

Arvind Rangaswamy, Anchel Professor of Marketing, Penn State University, 481 Business Building, Penn State University, University Park, PA, 16802, United States, arvindr@psu.edu

Search engines are now the gateways to information about products and markets. They are not only affecting customer decision making in fundamental ways, but they also influencing the very nature of competition and the strategic choices that firms make. In, particular, they are having a visible impact on the advertising and pricing strategies of firms. In this session, we bring together researchers who are exploring ways to model the influence of search engines on marketing.

4 - Product Design and the Customer Experience: Insights from the US Automobile Market

Arvind Rangaswamy, Anchel Professor of Marketing, Penn State University, 481 Business Building, Penn State University, University Park, PA, 16802, United States, arvindr@psu.edu, Raji Srinivasan, Gina Pingitore, Dan Seldin, Gary L. Lilien

The proliferation of parity products has driven many firms to focus on superior product design as a source of competitive advantage. Yet a product's design is a multi-faceted construct, influencing customers through: (1) its functionality (features and related benefits), (2) its aesthetics (sensorial attributes including sight, sound, and touch), and (3) its "meaning" (e.g., what the product conveys about the customer, and the referent group(s) to which the customer belongs). This research models the link between individual product characteristics, the three higher level design constructs and the customer experience. To estimate our model, we use data on car evaluations obtained from 59,000 recent buyers of 311 models of passenger cars in the United States collected by J.D. Power and Associates. We measure customers' experiences with the cars by their satisfaction and likelihood of recommending the car. We estimate a latent class structural equation model with random effects to account for unobserved heterogeneity across the different make-models of cars. The results support the proposed mixture model relating the product design elements to customer experience. We find multiple segments with different weightings characterizing how the three design elements influence customer experience. Our specific findings should be useful for managers involved in making design, segmentation, targeting and positioning decisions in the automotive industry, and our overall approach can be applied in other industries to understand the role and impact of product design.

■ FD03

Seminar Room 2.3 (Room 2004)

Conjoint I

Chair: Song-Oh Yoon, Singapore Management University, 50 Stamford Rd. 0501, Singapore, soyoon@smu.edu.sg

1 - Availability versus Attribute Cross Effects in Choice Based Conjoint Designs

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In competitive markets, a firm's own and its competitors' efforts influence its market success. Choice experimenters use cross effects models to capture effects of these sorts. Availability effects - the cross effect of the availability of an alternative in a choice set on the probability of choosing other available alternatives — may be positive or negative. A positive availability effect occurs when adding an alternative to a choice set results in a probability of choosing another alternative that is greater than would be expected if IIA held. A negative availability effect occurs when the addition of some alternative results in a probability of choosing another that is less than expected if IIA held. When alternatives are described in terms of attributes, we may also talk of attribute cross effects. This paper discusses conceptual and structural differences between availability and attribute cross effects in choice based conjoint designs.

2 - A Conjoint Approach to Multi-Part Pricing

Raghuram Iyengar, Assistant Professor, The Wharton School, 3730 Walnut Street, 700 Jon M Huntsman Hall, Philadelphia, PA, 19106, United States, riyengar@wharton.upenn.edu, Rajeev Kohli, Kamel Jedidi

Multi-part pricing is commonly used by providers of such services as car rentals, prescription drug plans, HMOs and wireless telephony. The general structure of these pricing schemes is a fixed access fee, which sometimes entitles users to a certain level of product use; a variable fee for additional use; and still another fee for add-on features that are priced individually and/or as bundles. The authors propose a method using conjoint analysis for multi-part pricing. The method reflects the two-way dependence between prices and consumption, and incorporates the uncertainty consumers have about their use of a service. The proposed method estimates both choice probabilities and usage levels for each individual as functions of the product features and the different price components. These estimates are then used to evaluate the expected revenues and profits of alternative plans and pricing schemes. The method is illustrated using data from a conjoint study concerning cellular phone services. Its results are compared with those obtained from using several competing models. The proposed procedure is used to identify the optimal set of features in a base plan, and the pricing of optional features, for a provider of cellular phone services.

3 - The Moderating Role of Response Task in the Self-Reported and Estimated Attribute Importance Relationship

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Prior research shows that self-reported attribute importance and indirectly estimated attribute importance often show only weak to moderate agreements. This lack of convergence can be problematic given the theoretical connection and the ubiquitous use of these two measures in marketing research (e.g., conjoint studies). The primary goal of this research is to examine the moderating role of response tasks (rating vs. ranking) in the convergence between self-reported and indirectly estimated attribute importance. We hypothesize that both rating and ranking tasks have their own drawbacks (and advantages). Specifically, rating task suffers from the lack of attribute evaluability since the task relies on separate evaluation mode. Thus, the indirectly assessed importance based on rating task does not fully reflect the consumer's true underlying importance when attributes are hard to be evaluated on their own, resulting in a weaker convergence with self-reported importance for those attributes. On the other hand, ranking task, due to its characteristics relating to qualitative reasoning and the task complexity, tends to overweigh the most important attribute (i.e., prominence effect) relative to other less important attributes. This bias also leads to the reduced overall agreement with self-reported importance measures. Results from two conjoint studies support our hypotheses. In both studies, we found that the indirectly estimated importance based on rating (vs. ranking) task tends not to fully reflect the self-reported attribute importance. Estimated importance based on ranking task suffers from the disproportionately greater reliance on the most important attribute.

■ FD04

Seminar Room 2.4 (Room 2005)

Topics in CRM

Chair: Rajkumar Venkatesan, Associate Professor, University of Virginia, 100 Darden Blvd, Charlottesville, VA, 22903, United States, venkatesanr@darden.virginia.edu

1 - Failure and Success of CRM Strategies. An Empirical Examination of Antecedents and Consequences

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In the last years several studies have outlined the positive effects of Customer Relationship Management (CRM) on firm performances; nevertheless, the effective implementation of CRM projects has led to contradictory results. We investigate the drivers of CRM success with a formal model, in order to overcome the lack of an analytic framework to define success criteria and metrics at the beginning of the project, as well as routines and processes for performance measurement. The present paper is divided into three main parts: 1) firstly, we review the research on success and failure of CRM activities in order to develop a model of the antecedents and consequences of CRM success; 2) secondly, we identify three main drivers (and for each one their subdrivers) of CRM success - strategic orientation, organizational aspects and measurement systems- and their hypothesized impact on perceived CRM success and perceived measures of performance. 3) thirdly, we present the results of the test of the model, conducted with a cross-industry quantitative analysis on a population of 156 executives. Our research confirms that critical factors for CRM success are the definition of a customer focused strategic orientation, of consistent organizational processes and of an adequate measurement system. However, CRM has proved to have no direct influence on firm performances. Moreover, consistently with previous research on market orientation, our results confirm the positive impact of market/customer orientation on firm performances and the relevance of measurement systems for performance improvements.

2 - A Research of the Behavioral Sequence of Information Education Services Industry in Taiwan

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This study develops and empirically tests a model examining the relations among relationship bonding tactics, perceived relationship investments, customer satisfaction, trust, commitment and customer behavioral loyalty, as relationship duration was used as controllable variable in a relationship marketing system. Based on a sample collected from PC school, the largest information services institute in Taiwan, the SEM results show that all the three kinds of relationship bonding tactics do

have significant influence on perceived relationship investment except for financial bonding tactics. Besides, the result shows that customer satisfaction is very important in reinforcing customers' trust, commitment and repurchase intentions within the relationship marketing system. Finally, relationship duration does have positive influence on both customer satisfaction and customer behavioral loyalty.

3 - Customer Value-based Management: Competitive Implications

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Many firms today measure customer profitability and focus on serving their high value customers. We refer to this practice as Customer Value-based Management (CVM). Previous research and popular press recommends numerous prescriptions that are research-based and intuitively sound. However, firms that have adopted CVM have often met with mixed results. For example, only a third of leading U.S. retail banks indicate that they have gained a competitive advantage from CVM. One possible factor that might account for the difference between actual outcomes and anticipated results could be that real firms implement CVM in a competitive environment. Our objective is to study CVM explicitly in a competitive setting. Our results suggest that many of the recommendations and prescriptions from past research continue to hold in a competitive environment. However, some do not. For example, firing poor customers or increasing their value does not always increase firm profits. Also as the cost of CVM technology decreases, firms adopting CVM in a competitive environment, do not necessarily benefit.

4 - The Role of Attitudes in CRM

Rajkumar Venkatesan, Associate Professor, University of Virginia, 100 Darden Blvd, Charlottesville, VA, 22903, United States, venkatesanr@darden.virginia.edu, Werner Reinartz, Nalini Ravishanker

A major criticism of CRM models is the ignorance of customer attitudes towards a firm's products and contacts. The high cost of collecting longitudinal customer attitudes through surveys, and the low response rates inherent in surveys have restricted the widespread use of attitudinal information for designing customer level marketing strategy. Under this context, address the following issues: a) What is the economic value added provided by customer attitude information? b) Do attitudes directly influence customer revenue or do they affect the level of customer responsiveness to firm contacts? c) Are there any differences between the influence of, attitudes towards a firm's products and attitudes towards a firm's contacts, on customer revenue? We present a Dynamic Hierarchical Generalized Linear Model for combining attitudinal and transaction data. We use data from a leading pharmaceutical firm for addressing the research objectives. Physician prescriptions and sales call data for the twenty-five months after a drug was launched by this firm are available as the customer transaction data. In addition, for nine months (during the twenty-five month window used to collect customer transaction data) the firm surveyed a sample of the physicians every month to collect information on physician attitudes regarding the quality of the sales calls and the quality of the firm's drug. We find that the attitudes affect customer revenue indirectly through customer responsiveness to firm contacts. Attitudes towards a firm's products have a higher influence on customer responsiveness than attitudes towards a firm's contacts. Improvements in customer attitudes lead to higher profitability primarily through cost reduction than through increase in customer revenue.

■ FD05

Seminar Room 2.5 (Room 2012)

Pricing Issues in e-Markets

Chair: Thorsten Posselt, Professor, University of Wuppertal, Gausstr. 20, Wuppertal, 42097, Germany, posselt@wiwi.uni-wuppertal.de

1 - The Impact of Social Network Structure on Name-Your-Own-Price Markets

Martin Spann, University of Passau, Innstrasse 27, Passau, 94032, Germany, spann@spann.de, Oliver Hinz

The interactive nature of the Internet promotes collaborative business models (e.g. auctions) and facilitates information sharing via social networks. The Name-Your-Own-Price (NYOP) mechanism is such a collaborative business model where prospective buyers bid for a specific product against an unrevealed threshold price set by the seller. Prospective buyers have strong incentives to learn more about the secret threshold price in NYOP markets, thereby relying on their own network of friends or digital networks of users with similar interest and information needs. This has led to the development of communities sharing the latest experience with bids on products in these markets. Information sharing in

digital environments, both person-to-person or via communities can change bidding behavior and can thus have a strong impact on seller profit. However, previous research has so far neglected information diffusion in NYOP markets. The goal of this paper is to determine the impact of information diffusion on bidding behavior and seller profit in NYOP markets for different communication structures in social networks. Thereby, we first develop a normative model for the effect of shared information on bidding behavior. We then empirically test the validity of our model to represent actual behavior in a laboratory experiment with induced valuations. We determine the effect of information diffusion on seller profit for various structures of communication links in social networks via an agent-based simulation. Finally, we test the impact of information diffusion on bidding behavior and seller profit in a field setting with real purchases.

2 - Sensitivity of Profits to Deviations from the Optimal Bidding Strategy in Search Engine Marketing

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Search engine marketing is a new marketing instrument where search engine providers sell their advertising space. Search engine providers use keyword auctions for pricing the clicks on ads and ranking the ads. The bidding strategy in keyword auctions determines the number of acquired customers, the acquisition costs and profitability per acquired customer as well as the profitability of the keyword. Therefore, advertising companies need to determine the best bid for their ads in the keyword auctions. The aims of our paper are (i) to develop and (ii) to calibrate a bidding decision model for advertising companies that links bids per keyword to profit and allows for an easy determination of the profit maximizing bid per keyword, and (iii) to examine the sensitivity of advertising company's profit to deviations in bids from their optimal values. We also show which factors influence the bid size and the sensitivity of profit to deviations from the optimal bidding strategy. As there is no closed-form solution for optimal bids, we conduct a simulation study to examine the effects of over- and under-bidding. Our findings reveal that profit is rather insensitive to deviations in bids from their optimum which indicates a so-called Flat Maximum Principle.

3 - Rating e-Tailers' Money-Back Guarantees

Thorsten Posselt, Professor, University of Wuppertal, Gausstr. 20, Wuppertal, 42097, Germany, posselt@wiwi.uni-wuppertal.de, Eitan Gerstner, Dubravko Radic

Most e-tailers offer money-back guarantees (MBGs) on product returns, but coverage and durations of different policies vary significantly across e-tailers (taking into account restocking fees, shipping and handling fees, and coverage duration). To help consumers and e-tailers evaluate the quality of return policies, we developed three different "MBGQual" indexes that measure the protection a return policy offers to buyers from different perspectives. Applying these indexes to MBGs offered by electronic product e-tailers shows that most policies cover only a fraction of the customer's out-of-pocket purchasing costs (price plus shipping fee) and that the coverage is valid for only a short period (coverage duration varies between 5-30 days).

■ FD06

Seminar Room 2.6 (Room 2013)

Competing on Marketing Mix Elements II

Chair: Ramanathan Subramaniam, Assistant Professor, School of Business, University of Kansas, 118A, Summerfield Hall, 1300, Sunnyside Avenue, Lawrence, KS, 66045, United States, srama@ku.edu

1 - Corruptible Advice

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A decision maker consults an advisor about a decision that affects another party. This third party may offer the advisor an unobservable payment to influence his recommendation. This can make advice corruptible: The third party's unobservable payment can induce the advisor to mis-report her private information to the decision maker. We study this problem in the context of an advisor who values a reputation for being incorruptible. Because of this reputational concern, the advisor may hesitate to recommend the third party's preferred action, for fear that the decision maker will see him as influenced by unobservable side-payments or "bribes". Implications are that reputational concerns may actually decrease information transmission, and that the third party may offer a payment to the advisor even when the third party's interests are aligned with those of the decision maker. While bribes create the obvious risk that an advisor may support the third party's preferred action when it is against the decision maker's best interest, the interesting

point is that advisors who value their reputation might advise against the third party's preferred action, even though that action is in the decision maker's best interest. Thus bribes might not only have the function of influencing the bad advisor to lie about the bad state, but they might also be used to motivate the good advisor to correctly report the good state.

2 - Limited Edition Products: When and When Not to Offer Them?

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Subramanian Balachander

Limited edition products have experienced a recent popularity. However, little is known about the conditions under which a brand should introduce a limited edition product. We investigate this issue using a game theoretic model where two brands compete facing consumers who desire exclusivity. We show that adding a limited edition product to a product line has a (positive) direct effect on profits through an increased willingness to pay for such a product and a (negative) strategic effect by increasing price competition between brands. Furthermore, we determine that there is excess demand for a limited edition product when it is offered. If the brands are vertically differentiated the high-quality brand benefits more than the low-quality brand from introducing a limited edition product. Consequently, if the cost of introduction is sufficiently small both brands will carry a limited edition product. Otherwise, in the case of intermediate cost of introduction, only the high quality brand will carry a limited edition product. Our comparative statics results reveal that the low quality seller's profitability of introducing a limited edition product increases with the desire of exclusivity among consumers and decreases with the quality difference between brands. For the case of horizontal differentiation we also find that both brands introduce a limited edition product when the cost of introduction is sufficiently small. However, both brands would be better off in a market without limited edition products. On the other hand, if the brands can add an additional feature or quality to the limited edition product and the cost of this incremental quality is not too high then both brands are better off in the market with limited edition products.

3 - Service Provision in a Vertically Differentiated Competitive Marketplace

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In many markets, consumers face uncertainty about their utility of a product. Firms can assist consumers in resolving this uncertainty through offering service. For example, firms may hire knowledgeable salespeople to demonstrate the use and features of a product or can allow consumers to have a hands-on experience with the product by either examining it themselves prior to purchase or (for example, through a flexible return policy) by trying it out at home. This paper examines the interaction of service, product quality, and pricing decisions by competitive firms, and finds that under certain conditions, one can expect the seemingly counter-intuitive result that a low quality firm offers service, while a high quality firm in the same market does not offer service. In the analysis, we trace this result to the nature of the service, namely, the service providing information about individual consumer valuation rather than about the objective quality of the product, as well as to competition and low marginal cost of quality. In addition, low consumer shopping cost, resulting in free-riding on service, contributes to the higher incentives of providing service by the low-quality firm relative to the incentives of the high-quality firm. We find the opposite result that the high quality firm will provide service and the low quality firm will not when service reduces uncertainty about the quality of the product, rather than about individual valuation, or when the marginal cost of quality is high.

4 - Quantity Discounts in Differentiated Consumer Product Markets

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Esther Gal-Or

In this paper, we extend the standard Hotelling model of product differentiation to incorporate a second dimension of consumer heterogeneity that relates to the quantity of the product they wish to buy. In the model we develop, the population of consumers is heterogeneous along two dimensions. The horizontal dimension measures the relative preference of the consumers between the two producers and the vertical dimension measures the marginal utilities of the consumers from increasing their level of consumption. We find that in equilibrium, the extent of discounts decrease with increasing competition. We then investigate the impact of quantity discounts on the level of price competition by modeling a two stage game where at the first stage; the firms choose their location and then choose prices in the second stage. Consistent with the result derived in the standard Hotelling model

(d'Aspremont, Gabszewicz, and Thisse (1979)), producers choose to maximally differentiate their products. Surprisingly, we also find that when producers offer a choice to consumers between two different sized packages, their profits remain the same as in an environment where such a choice is unavailable. However, quantity discounts act as a second degree price discrimination tool that allows the firms to sell the large pack to the consumers having a higher marginal utility of consumption and the small pack to those having a lower marginal utility of consumption.

■ FD07

Seminar Room 2.7 (Room 2014)

Market Research IV: Economic Methodology

Chair: Gilles Laurent, Professor, HEC Paris, 1 Avenue de la Libération,
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1 - The Generalized Long-Term Impact of Marketing

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This study aims to developing a generalized model to measure the long-term impact of marketing, which is (1) asymmetric in positive and negative changes (e.g., price increase vs. decrease); (2) dependent upon the time when the marketing intervention occurs (e.g., advertising in different stages of product life cycle); and (3) non-linear in the magnitude of changes (e.g., 10% vs. 30% of price discounting). In particular, we estimate a threshold-VAR model, in which sales response depends on the magnitude of the marketing change, and derive time-varying impulse response functions. We apply this methodology to a rich dataset covering the marketing mix for six frozen entree in 18 US city markets. The results offer new insights into long-term marketing effects, which are neither linear nor symmetric - nor stable over time.

2 - The Varying Coefficient Model as a Non-Parametric Alternative for Capturing Moderating Effects

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In many marketing-related studies the consideration of moderators is of high relevance. In order to account for those moderating effects, several modelling techniques have been proposed. Among the most prominent techniques in marketing is the Moderated Regression Analysis (MRA) which is based on the work of Saunders (1955). Though the MRA allows modelling the effect of a predictor variable on the criterion variable as a function of the moderator, it requires specifying the moderating function in advance, i.e. deciding on the parametric form of the moderating effect (whether it is linear, quadratic or of another shape). In order to bypass such a restrictive assumption, we present a conceptually different modelling approach: the Varying Coefficient Model (VCM), first proposed by Hastie, Tibshirani (1993). The VCM has never been applied in marketing research settings yet. In contrast to the MRA, the slope parameter in a VCM depicting the effect of a predictor variable on the criterion variable is treated non-parametrically as an arbitrary smooth function of the moderating variable. Hence, without requiring the moderating function to be specified in advance, the VCM promises both an evaluation of the general hypothesis that the relationship between the criterion variable and the predictor variable(s) depends on a moderator's value as well as an unbiased insight into the direction and the shape of the moderating effect. In an empirical illustration referring to customer-specific moderators (e.g. variety seeking, involvement and risk aversion) of the relationship between customer satisfaction and willingness to pay - as recently discussed by Homburg, Koschate, Hoyer (2006) -, we provide evidence for the conceptual advantage of the VCM over the MRA approach.

3 - Local Effect Analysis to Optimize Direct Marketing Action

Gilles Laurent, Professor, HEC Paris, 1 Avenue de la Libération,
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In competitive markets, the easiest way to increase market share may be to target those consumers who are closest to the "decision boundary" separating buyers from non-buyers, and to detect the best levers influencing these marginal individuals. Over the years, many statistical tools, such as logistic regression or discriminant analysis, have been used by marketing scientists to distinguish buyers from non-buyers, and to identify the most important explanatory variables, the best levers. However, these classical methodologies only identify the global importance of each predictor. They do not take into account the fact that the best predictors to influence the marginal individuals, what we call the marginal levers, may not be the same variables that best predict extreme cases. We introduce a methodology, the Marginal Effects Analysis (MEA), which meas-

ures the relative impact of each lever among marginal individuals. Based on the Functional ANOVA framework, MEA reprocesses the probabilistic outputs of a preliminary classification analysis - which can be a classical technique such as logistic regression or a new technique such as Support Vector Machines (SVM). It can detect symmetrical as well as asymmetrical effects. We apply MEA to a practical problem, to predict the impact of a specific marketing action (e.g. a coupon) on each target subgroup (marginal individuals, extreme individuals, etc.). This provides new insights for a segmented analysis of the action's profitability for each subgroup.

■ FD08

Seminar Room 2.8 (Room 2015)

Auction: Bidding Behavior

Chair: Michal Herzenstein, Assistant Professor, University of Delaware, Lerner College of Business and Economics, Newark, DE, 19711, United States, michal@lerner.udel.edu

1 - Learning by Losing: An Empirical Study of Bidding Effort Evolution in Auctions

Xin Wang, Brandeis University, 415 South Street, International Business School, Waltham, MA, 02454, United States, xinwang@brandeis.edu, Ye Hu

Bidding in auctions is an intrinsically complicated decision, especially for individual bidders without extensive knowledge about the mechanism of auctions. In this paper, we examine how the bidding effort (measured by the number of incremental bids) of auction buyers evolves, especially as a result of their accumulating experience. We track the auction participation of a panel of new customers at eBay over time. A time series model is constructed and analyzed using a Bayesian approach. We find that among other factors, losing experience has a significant impact on reducing the bidding effort over time. In addition, results from our analysis indicate that not controlling for individual heterogeneity leads to considerable underestimation of the effect of experience. The findings of this research have significant managerial implications on how auction sellers and websites could facilitate buyer learning and subsequently improve customer satisfaction and retention.

2 - Pay-What-You-Want - Assessment of a New Radical Pricing Mechanism

Ju-Young Kim, Research Assistant, University of Frankfurt, Mertonstrasse 17, Frankfurt am Main, Germany, jukim@wiwi.uni-frankfurt.de, Martin Natter, Martin Spann

Interactive pricing models are recently gaining popularity in marketing science and practice. This paper provides a first analysis of a new radical pricing model named Pay-What-You-Want (PWYW). Similar to auctions and Reverse Pricing the buyer determines the final price whereas the seller can influence the price by setting the specific design of the mechanism. The seller can choose from various design alternatives regarding time of payment (before/after consumption), type of contact (personal/anonymous), duration (permanent/short-run) and additional price information (reference price/no reference price). At PWYW the customer is asked to name an appropriate price which the seller has to accept. We describe situations in which the use of PWYW might be of advantage compared to other forms of price determination. PWYW seems particularly attractive in terms of achieving communication goals such as inducing word-of-mouth and product experience. We also identify product attributes (low variable costs, perishable products or products with high functional risk) which seem to be best suited for an application of PWYW. In three empirical studies we examine 1) relevant factors on actual prices paid, 2) whether PWYW is suitable as a price promotion instrument and 3) the influence of different designs of pricing mechanisms on the consumers' decision process. These studies provide indications for interesting target groups for the application of PWYW. Analyzing the effects of the price promotion in respect of transaction, communication and research goals, our empirical results also indicate that PWYW might be a good alternative to promotional discounts and samples since the implementation of PWYW does not cause any considerable costs.

3 - A Study of Bidding Behavior in Peer-to-Peer Online Lending Auctions

Michal Herzenstein, Assistant Professor, University of Delaware, Lerner College of Business and Economics, Newark, DE, 19711, United States, michal@lerner.udel.edu, Utpal Dholakia, Evgeny Lyandres

Our research deals with bidders' behavior in online cash lending auctions. We analyze data from a website that matches individual borrowers and lenders of unsecured personal loans (over 49,000 bids). Borrowers post their credit history and reasons for seeking the loan, request an amount, and state the maximum interest rate they can pay.

Lenders choose the listings to bid on, specify the amount and the lowest interest rate they are willing to accept when bidding. Transactions occur only if the requested amount is fully funded. Usually the more lenders bidding on an auction, the higher the likelihood the auction will fund. When controlling for borrowers' characteristics we find that the probability of receiving an additional bid depends on the interest rate of the new bid, the remaining duration of the auction, and the remaining amount to be funded. However, it also depends on the change in interest rate, number of existing bids, amount funded so far, and time elapsed. While these variables indicate interest in the auction, they do not imply that the borrower will not default, and ultimately should be ignored by lenders. Finally, and most interestingly, we find that the probability of receiving an additional bid depends negatively on whether the requested amount was funded. If a lender wants to bid in a fully funded auction, she must bid a lower interest rate than the current one. This rule drives bidders away from fully funded auctions because bidders prefer to wait for another auction and bid a higher interest rate, than to place a bid on a fully funded auction with a lower interest rate. This means that bidders prefer uncertainty (whether the new auction will clear or not) and possibly higher returns over certainty and lower returns.

■ FD09

Seminar Room 3.1 (Room 3001)

Market Research V: Survey Methodology

Chair: Chun-Yao Huang, Assistant Professor in Marketing, Dept. Business Administration, National Taiwan University, 1, Sec. 4, Roosevelt Rd., Taipei, 106, Taiwan, cyhuang@management.ntu.edu.tw

1 - Combining Cross Sectional Market Research Surveys: An Application of Statistical Matching

Catherine Bentham, Lecturer, The University of Auckland, Private Bag 92019, Auckland, 1020, New Zealand, c.bentham@auckland.ac.nz

There are many examples in marketing research where cross-sectional surveys are taken at periodic intervals. As different respondents are interviewed each period, the advantages of a panel cannot be exploited. The purpose of this study is to develop a methodology capable of modeling gross change patterns using repeated cross-sectional surveys. Individuals at one time period are matched with similar individuals at the following time period using data fusion (statistical matching) techniques, thus creating "pseudo individuals". Aging characteristics of individuals over time are taken into account in this process. The attitudes and behaviour of all pseudo individuals in a data set can then be tracked over multiple time periods. The method is developed using lifestyles data from ACNielsen's Panel Views survey. The use of panel data ensures the accuracy of the statistical matches can be tested. A simulation study is then conducted to test the method when different sample sizes are apparent, and lastly, the method is applied to TNS Context data, a series of repeated cross-sectional lifestyles studies. Results demonstrate some interesting trends in terms of gross change in lifestyles patterns and behavior. This development of this technique contributes to the area of marketing methodology by providing an alternative to panel data, extends the application of data fusion techniques beyond their usual scope of creating "single source" data from two sources collected at a similar time point, and contributes to theory on consumer lifestyles.

2 - Panel Design Effects on Response Rates and Response Quality

Rene Segers, MSc, Erasmus University Rotterdam / Econometric Institute, P. O. Box 1738, Rotterdam, NL3000DR, Netherlands, rsegers@few.eur.nl, Philip Hans Franses

For a firm it is essential to monitor its customers. In particular, firms need to keep track of their customers' opinions towards the firms' activities and products, the image of their brands and related issues. This information is of great value, for example, to prevent churn, to increase customer loyalty, and to explain the effects of marketing instruments. Ideally, to collect this information, customer surveys should be conducted on a frequent basis. Also it is advantageous to survey the same customers at multiple points in time. This, however, may cause irritation among respondents, resulting in low response rates and response quality. As a consequence, firms should carefully design such panels. The aim of this paper is to address this design problem by conducting a set of field studies, where we measure the effects of panel design aspects on response rates, response quality and irritation. These aspects include the number of waves that are conducted and the time interval between subsequent waves, which may be either fixed or random. We also distinguish between the case where respondents are informed beforehand about the panel design that will be employed and the case where they are not. Our findings suggest that response rates and response quality can be improved significantly by surveying at random time intervals.

Moreover, it is crucial that panel members are not informed about the exact dates they will be surveyed. We examine several possible explanations for this, and find that our results are most consistent with the theory that in this case response rates are improved due to a lower awareness of being a member of a panel. Response quality is improved as respondents do not develop expectations as to when they will be surveyed again.

3 - A Study on Biases in Self-reported Behavioral Frequency

Chun-Yao Huang, Assistant Professor in Marketing, Dept. Business Administration, National Taiwan University, 1, Sec. 4, Roosevelt Rd., Taipei, 106, Taiwan, cyhuang@management.ntu.edu.tw

Biases in survey responses pertaining to behavioral frequency are prevalent. In the domain of marketing research, it has long been found that survey respondents tend to exaggerate product purchasing claims (Parfit 1967). The expensive consequences of such bias for marketers are also recognized (Menon 1997). However, although we can easily locate an array of studies investigating frequency-related survey response strategies, only few (e.g., Lee et al. 2000, Hu et al. 2000) explore factors leading to biases in self-reported behavioral frequency. There is a lack of a more comprehensive analytical framework for the investigation of self-reported frequency biases. This study aims to fill the gap by proposing a simple stochastic framework for a systematic analysis of the biases in self-reported behavioral frequency. Based on such a framework, a set of hypotheses relating to the effects of behavioral and attitudinal loyalty, recency, salience, and regularity on biases in self-reported behavioral frequency is tested on data coupling a Taiwanese retailer's customer transaction history with a survey. It is thus confirmed that respondents' attitudinal loyalty, behavioral loyalty, and salience are positively associated with their tendency to inflate self-reported behavioral frequency in a survey, whereas recency of purchase is negatively associated with the tendency to inflate self-reported frequency.

■ FD10

Seminar Room 3.2 (Room 3003)

Modeling Social Networks and Contagious Effects

Chair: Xavier Dreze, The Wharton School, 3730 Walnut St, Philadelphia, PA, 19104, United States, xdreze@wharton.upenn.edu

1 - Modeling Dynamic Customer Interdependencies

Oded Netzer, Assistant Professor, Columbia University, 3022 Broadway, Uris Hall 520, New York, NY, 10027, United States, on2110@columbia.edu, Jonathan Zhang

In customer relationship management, relationships are often defined as a series of interactions between the customer and the firm. However, customers often interact not only with the firm, but also with each other. These interactions create a network of interdependencies between customers. Furthermore, just like relationships between customers and the firm, interdependencies between customers evolve over time according to their interactions with other customers at every time period. Capturing the network of interactions between the firm's customers allows the firm to understand the impact of the interactions between customers, which are often initiated or monitored by the firm. Moreover, capturing the network of dynamic interdependencies enables identifying key members in the customers' network. In this research we propose a model that simultaneously captures the effects of the interactions between the customers and the firms, the interaction between customers themselves, and the interdependence due to customers' inherent similarity on customer behavior and choice. In the proposed model the interdependencies between customers are captured by a time-varying spatial autoregressive model that captures the degree of interaction between any pair of customers at any point in time. The model is estimated using a Bayesian framework. We apply our model in the context of alumni relations using longitudinal gift giving data provided by the Stanford Alumni Association. The empirical application reveals substantial and significant interdependence between alumni as well as dynamics in the interdependencies due to alumni mutual attendance to university events. Furthermore, accounting for interdependencies between alumni also leads to improved prediction ability of gift-giving behavior.

2 - Did They Tell Their Friends? - Using Social Network Analysis to Detect Social Contagion Processes

Christian Barrot, Christian-Albrechts-University at Kiel, Westring 425, Kiel, 24118, Germany, barrot@bwl.uni-kiel.de, Sönke Albers

Social contagion processes such as word-of-mouth (WOM) are widely regarded as key success factors for the diffusion of innovations. These processes are difficult to observe empirically on the individual level, as personal communication is hardly visible to outsiders and usually does not leave traceable data. Most empirical studies focusing on social contagion processes use personal interviews and questionnaires in order to gather the relevant data and, thus, are limited to rather small samples.

As the analysis of social networks requires large-scale samples, this macro-level of social contagion processes is rarely covered in empirical studies. But micro-level processes such as WOM require an underlying "infrastructure" of social networks to unfold their potential for diffusion. Therefore, a social network perspective must be considered when analyzing the effects of social contagion. To include this macro-level perspective into empirical research, the aim of our study is to investigate the existence of social network properties and communication patterns required for social contagion in a real-world diffusion process. Our study is based on anonymized usage data of a regional fixed-line telecommunication service provider covering its complete customer base. We use information from a total of 7.8 million individual telephone calls to construct a social network of these customers. We apply methods from social network analysis to analyze connectedness, closeness, and the communication flow within the network. Both the resulting social ties between customers and the observed communication flow indicate significant social contagion influences.

3 - Network Effects in Defection

Xavier Dreze, The Wharton School, 3730 Walnut St, Philadelphia, PA, 19104, United States, xdreze@wharton.upenn.edu, Andre Bonfrer, Jeongwen Chiang

The benefits of network externalities in consumer demand are well documented in marketing; examples include the Bass model, viral marketing. Network externalities are commonly cited as the driving force behind the take-off of many new products such as the telephone or fax machines. One can easily see that word-of-mouth effects may also be detrimental. A dissatisfied customer who defects from a service provider could voice his displeasure to friends or associates, causing them to also defect. We investigate the presence of such negative network effects in the context of the cellular telephone service industry. Our dataset is a sub-network of more than 30,000 Chinese cellular phone users and we study the network effects of defections across customers. Whereas most studies of network effects work at an aggregate level, inferring network effects from derived parameters, we model network relationships among users directly by analyzing individual calling patterns. We show that the defection of customers significantly increases the likelihood of defection of other customers who are related to the defector. This impact is not limited to direct relations; it also transcends degrees of separation. In other words, the negative network effects extend to customers who are related to the defector through mutual acquaintances. The defection influence on indirectly related customers dampens as the degree of separation increases.

■ FD11

Seminar Room 3.3 (Room 3005)

Pricing VIII- Asymmetry

Chair: Andre Bonfrer, Singapore Management University, 50 Stamford Road, Singapore, andrebonfrer@smu.edu.sg

1 - Asymmetric Price Impact of Quality: Dimensions, Measurement, and Modeling

K Sivakumar, Arthur Tauck Chair, Professor of Marketing, and Chairperson, Lehigh University, Department of Marketing, 621 Taylor Street, Bethlehem, PA, 18034, United States, k.sivakumar@lehigh.edu

There are a number of research findings that focus on how the level of quality of a brand influences its ability to use price as a marketing tool to influence customer purchase behavior. Our research focuses on the different dimensions of the asymmetric price impact of quality. In a multi-brand context (which is the scenario in most product markets), a more detailed conceptualization of asymmetric competition will be more beneficial than the traditional two-brand conceptualization that predominantly focuses on switching between the two brands. In this research, we propose a broader conceptualization of the asymmetric price impact of quality to incorporate its different dimensions. We also demonstrate the measurement and modeling of these various dimensions. An important objective is to explore some boundary conditions of asymmetric price competition and to examine how changes in the marketing context and marketing strategies adopted by firms influence the nature and extent of asymmetric price competition.

2 - Negative Asymmetry in Pricing Patterns in Online High Tech Shops

Charles Wood, University of Notre Dame, 230 MCOB, Notre Dame, IN, 46556, United States, cwood1@nd.edu, Paul Messinger, Sourav Ray

Market leaders (i.e. firms with greater market share and brand reputation) are expected to extract some form of leadership premium, mostly in the form of higher margins or prices. However, in the paradigmatic market structure argument, market leaders experience a tension between leveraging their market leadership to extract higher margins

(hence higher prices) and leveraging their supposed economies of scale to sustain a greater market share (hence lower prices). We contend that it is not unreasonable to expect price adjustment patterns of market leaders to exhibit both higher and lower prices relative to firms that are not market leaders. For technology intensive (or high-tech) products, these two opposing forces work simultaneously. Market leaders may not want to provide deep discounts, rather capturing higher prices for their brand equity, but as these technology intensive products become increasingly obsolete and face competitive pressure from fringe firms, it may be important for the market leader to protect its market share even at the cost of lower prices (perhaps till the new lines are introduced). The implications for price adjustments over time are therefore, not obvious in such markets. We examine 97,326 prices and 7,486 price changes for 187 high-tech products from 26 vendors over 283 days. The main findings suggest that for market leading firms, large price changes are not only more common than for the non-market leaders, but there is a greater negative asymmetry in terms of the price adjustments over time - with larger price decreases being more prominent than large price increases.

3 - The Asymmetric Share Effect and Absolute Cross Effects: A Re-examination

Andre Bonfrer, Singapore Management University, 50 Stamford Road, Singapore, andrebonfrer@smu.edu.sg,
Alvin Silk, Ernst Berndt

Sethuraman and Srinivasan (2002, hereafter, S & S) demonstrate that the nature of the asymmetry in cross-price effects depends on how the latter construct is measured. Dating back to the work of Blattberg and Wisniewski (1989), a considerable body of evidence has accumulated showing that when the cross-price elasticities of a pair of rivals are compared, the effect on a low share brand of a high share brand lowering its price is greater than the effect on a high share brand of a low share reducing its price. However, S&S show that this asymmetry disappears when asymmetry is measured by an "absolute cross effect", rather than by a cross-price elasticity. Here, we re-examine the phenomena of asymmetric price effects using the well-known Slutsky equation from neoclassical theory of consumer demand (Deaton and Muellbauer 1980).

■ FD12

Seminar Room 3.4 (Room 3007)

Incentives and Social Networks

Chair: Christian Pfeil, Assistant Professor, University of Wuppertal, Chair of Retail and Service Management, Gauflstr. 20, Wuppertal, 42097, Germany, pfeil@wiwi.uni-wuppertal.de

1 - Customers as Sales Agents: Selling through Group-Buying

Xiaoqing Jing, Ph.D Student, University of Florida, Warrington College of Business, PO Box 117155, Gainesville, FL, 32611-7155, United States, jingxq@ufl.edu, Jinhong Xie

This paper examines a selling strategy that benefits from consumer social interaction: Group-Buying, under which a seller, by offering a discounted group price with certain group size requirement, "recruits" informed customers as sales agents to acquire less-informed new customers through interpersonal information sharing. We examine WHEN and HOW the seller can benefit from adopting this strategy. We develop a formal model to address several questions including: What critical factors affect the profitability of a Group-Buying strategy? Under what conditions does a Group-Buying strategy dominate other traditional individual selling strategies? How does a Group-Buying strategy differ from other marketing strategies that encourage consumer information sharing such as Referral Rewards Programs (i.e., motivating existing buyers to spread product information via referral rewards)? Our results reveal that the profit advantage of Group-Buying is jointly determined by the characteristics of product, market, and consumer interaction, such as buyer heterogeneity in product valuation, the relative size of informed and less-informed segments, efficiency of interpersonal information sharing, and the value of information to consumers. Our analyses also illustrate the profound differences between Group-Buying and Referral Rewards Programs. Under Referral Rewards Programs, information sharing occurs only after the informed-consumer has purchased the product and is "delighted" about her consumption. However, under Group-Buying, information sharing is required before any transaction. As a result, both the benefit and cost of information sharing is higher for Group-Buying. We derive specific conditions under which Group-Buying is more profitable than Referral Rewards Programs.

2 - A Penny for Your Peer: Estimating the Customer Enhancing Effect of Referral Rewards

Dubravko Radic, Assistant Professor, University of Wuppertal, Gausstr. 20, Wuppertal, 42097, Germany, radic@wiwi.uni-wuppertal.de, Thorsten Posselt

Word of mouth is one of the most powerful forces when it comes to turn prospects into new customers. Treated long time as a black box, recent marketing campaigns such as referral reward and affiliate programs try to manage customer referrals directly. Despite an increasing use of such instruments, empirical research on referral rewards is limited. This paper reports on a survey conducted among 600 customers of a fitness company in a major German city. Our results indicate that the effectiveness of referral rewards depends on the tie strength between sender and receiver of the referral: Word of mouth flows through weak ties can be increased by the use of referral rewards whereas for strong ties the impact of referral rewards diminishes. Additionally, we show how this relationship is moderated by customer satisfaction and how referral flows between dyads of customers translate into aggregate customer acquisition effects.

3 - Do Incentivized Referral Programs Really Work?

Patricia Chew, Lecturer, SIM University, 461 Clementi Road, Singapore, 599491, patriciachewyp@unisim.edu.sg, Siok Kuan Tambyah, Jochen Wirtz

Many marketers are using recommend-a-friend programs to harness the power of word of mouth. However, there is a dearth of academic research about the effectiveness of such programs. Through a triangulation of qualitative and quantitative methods, it was found that incentives can have both a positive and negative impact on the likelihood to recommend. The larger the size of an incentive, the more attractive it was perceived to be. This increased perceived attractiveness in turn resulted in a greater likelihood to make a recommendation. On the other hand, incentive size could also have an indirect negative impact on the likelihood to recommend. The larger the size of an incentive, the more negative metaperception is likely to be. Metaperception of the recommendation (i.e., how one thinks others will perceive one's recommendation) in turn affected the likelihood to make a recommendation. To elaborate, incentive size was negatively correlated with the metaperception of the recommendation. This meant that the larger the size of the incentive, the more unfavorable metaperception of the recommendation became. Since metaperception of the recommendation, was positively correlated with the likelihood to recommend, it meant that the more negative the metaperception of the recommendation was, the less likely one was to make a recommendation. The strength moderated the incentive size - metaperception relationship. Therefore, while incentive size has a negative impact on recommendations via metaperception of the recommendation, the negative impact can be offset by the positive impact of tie strength on metaperception. The study made contributions to both theory and marketing practice by examining incentivized recommendations, filling a gap in academic research on WOM.

4 - Couponing vs. Word-of-Mouth: Optimal Coordination of Marketing Policies

Christian Pfeil, Assistant Professor, University of Wuppertal, Chair of Retail and Service Management, Gauflstr. 20, Wuppertal, 42097, Germany, pfeil@wiwi.uni-wuppertal.de, Thorsten Posselt, Dubravko Radic

Banks, fitness clubs, holiday resorts, magazines and many other businesses use coupons and referral-rewards as promotional strategies. The coexistence and the mutually exclusive use of these marketing instruments raises the question what conditions influence a firm's optimal strategy towards both tools. What determines optimal coordination of the marketing policies? The paper addresses these issues from a theoretical point of view. A monopolist firm sells an experience good to customers with unit demand for the good. Customers have different pre-purchase valuations for the experience good. The firm cannot separate market segments and therefore offers coupons to consumers who then self-select whether or not to use the coupon depending on transaction cost. While coupons can be used to price discriminate between different market segments, referral rewards stimulate word-of-mouth. Word-of-mouth reduces potential customers' pre-purchase uncertainty and may thus create additional demand. Different combinations of couponing and referral rewards are associated with different pricing strategies. Referral-rewards may eventually improve on price-discriminatory capabilities of coupons. As a surprising result, referral rewards may help to establish a more intense (and thus more profitable) price discrimination strategy. Thus both instruments may not be competing alternatives but rather promotional tools that complement each other.

■ FD13

Seminar Room 3.7 (Room 3026)

Important Consumer Behavior Issues in Retailing

Chair: David Bednall, Associate Professor, Deakin University, Bowater School, 221 Burwood Highway, Burwood, Vi, 3125, Australia, dbednall@deakin.edu.au

1 - Sold Out Yet Not Fade Out: Effects of Soldout Products on Consumers' Choice

Xin Ge, Assistant Professor in Marketing, University of Northern British Columbia, School of Business, 3333 University Way, Prince George, BC, V2N 4Z9, Canada, gex@unbc.ca, Paul Messinger, Jin Li

Previous research on consumer choice has largely focused on how consumers make purchase decisions given information about available products. In reality, however, consumers often face situations in which information about soldout products is still present in the decision context. We argue that soldout products convey special information about the decision environment, and that consumers assimilate this information when making their decisions. Experiment 1 and Experiment 2 demonstrate an immediacy effect such that, in the face of a soldout product, consumers are less likely to delay their choice decisions from among the available alternatives. Experiment 3 reveals that consumers tend to actively search for information about the soldout products in order to get a better understanding of product distribution. In addition, it has been demonstrated that consumers' choice from among the available alternatives is also influenced systematically by the presence of a soldout product.

2 - Towards a Theory of Consumer Routinization

Adeline Ong, RMIT University, Australia, 239 Bourke Street, Melbourne, Australia, adeline.ong@rmit.edu.au

An understanding of the nature of routines remains limited in consumer behavior literature (Bettman, 1979). Little is known about key components that support routine maintenance. This research examines key factors that play a role in the development of behavioral routines (i.e., routinization), aiming to characterize routines from a goal-oriented perspective and focusing on grocery shopping behavior. As demonstrated by in-depth analyses of interview material, a significant contribution lies in the development of a conceptual framework for understanding factors associated with grocery shopping routines. This model reflects a working definition characterizing routines as goal-driven and value-guided heuristic strategies. Routines are repetitive patterns of personal and private behavioral activities dependent upon situational and temporal contexts, and utilized for repetitive value (e.g., convenience, familiarity). The present framework also suggests relational directions between factors. Risk-taking attitudes and personal values also shape goals. The unique contribution of this study lies in the development of a framework for understanding important variables linked to the establishment of grocery shopping routines. No other studies (Brotherton, 2001) have adopted a model incorporating all elements proposed in the present conceptualization. This framework supports script theory (Schank & Abelson, 1977), demonstrating the structural aspects of routines, and goal-oriented theories (Pervin, 1989). Retailers could take advantage of the current model, which suggests that repeat behavior happens when supported by factors (e.g., situational and temporal contexts, repetitive value) that continue to work in concert with consumer goals.

3 - Consumer Responses to Free Service Trial Offers

David Bednall, Associate Professor, Deakin University, Bowater School, 221 Burwood Highway, Burwood, Vi, 3125, Australia, dbednall@deakin.edu.au, Krongjit Laochumnanvanit, Harmen Oppewal

Consumers find it difficult to evaluate services they have not previously used, especially where these services have high experience or credence properties (Mittal 2002, 2004). A frequent promotional strategy used by marketers is to offer a free trial, such as a free brake check on cars or a free session at a new gym. While there is extensive literature on product trials, very little research has been conducted on free service trial offers. This led the researchers to undertake preliminary content analysis and qualitative interviews and ultimately to develop a comprehensive model of consumer evaluations of these offers. The model takes account of the type of service on offer, the manner in which it is offered and the pricing mechanism used (free versus discounted). It also characterizes the cognitive and emotional evaluations consumers make in response to these offers and how these contribute to trial and purchase propensity. Individual characteristics of consumers, such as deal proneness, were also incorporated into the model. The current study reports an experiment where the model was systematically tested among groups of male and female consumers (in total 400) who varied by age group and service experience. The research indicated that a free trial offer operated

rather differently from a discount, inducing a sense of obligation which motivated some people to adopt the trial and subsequent full service offer. Traditional trial-cognition-evaluation models (e.g. Smith and Swinyard, 1983) are not sufficient to explain the phenomena uncovered by this research.

■ FD14

Seminar Room 3.8 (Room 3028)

Model Based Approaches to Bundling

Chair: Rabikar Chatterjee, Professor of Marketing, University of Pittsburgh, 340 Mervis hall, Pittsburgh, PA, 15260, United States, Rabikar@katz.pitt.edu

1 - Searching Appropriate Market Basket Ensembles with Data-Driven Methods Compared to Ad Hoc Solutions

Yasemin Boztug, Assistant Professor, Humboldt University of Berlin, Institute of Marketing, Spandauer Str. 1, Berlin, 10178, Germany, boztug@wiwi.hu-berlin.de, Thomas Reutterer

Predictive models for multi-category purchase incidence decisions are well introduced in the marketing literature. For example, Russell and Petersen (2000) or Boztug and Hildebrandt (2006) apply multivariate logit models to estimate the effects of marketing mix variables on purchase incidence assuming cross-category dependencies. Due to analytical restrictions, however, such models can only handle a relatively small number of categories. Hence, the issue to determine the composition of shopping baskets with a meaningful combination of categories emerges. We posit that this basket composition crucially affects the estimated model parameters (with consequences on the recommended marketing actions) and advocate a data-driven approach for basket selection. Using a framework for mining interesting association rules (cf. Brijs et al. 2004) among categories of a large retail assortment, we empirically illustrate the differences in parameter estimates obtained for a basket composition based on persistently associated categories as compared to a category selection strategy that is governed by pure managerial intuition.

2 - How Less Can Be More: Hyper-Subadditivity in Bundle Valuation

John Pracejus, Associate Professor of Marketing, University of Alberta, 3-40J Business Building, University of Alberta, Edmonton, AL, T6G 2G6, Canada, pracejus@ualberta.ca, Peter Popkowski Leszczyc, Michael Shen

People should not prefer less to more. They certainly should not be willing to pay more for less. Previous studies, however, have found that under certain conditions, people prefer less to more in one format, and more to less in another format. This is a well known form of "preference reversal". Such studies acknowledge the less-is-more phenomenon, but only as an antecedent state to some other phenomenon of primary interest (e.g. "preference reversal"). We focus on the less-is-more phenomenon directly, asking why and how people might prefer less to more in the first place. We develop a theory based upon value certainty, and test it in a series of four studies (three auctions and one lab experiment). Results indicate that as our theory predicts, hyper-subadditivity results from consumers making inferences about value uncertain goods based upon their knowledge about value certain goods. Specifically, study one shows that adding an item with positive value to a bundle can lower the value of the bundle (hyper-subadditivity), study two replicates this finding, and also demonstrated superadditivity without complementarity, study three demonstrates that value uncertainty is causing these effects, and study four rules out numeric priming as an alternative explanation. Managerial and public policy issues from our findings are discussed.

3 - Effect of Cross Buying Discounts on Promotional Competition

Bikram Ghosh, Assistant Professor of Marketing, University of South Carolina, 1705 College St, BA 378, Columbia, SC, 29208, United States, bghosh@moore.sc.edu, Subramanian Balachander

Several papers in the marketing and economics literature have studied the rationale for price promotions using game-theoretic models. These studies suggest that price promotions can be interpreted as mixed strategies employed by competing firms. However, these studies have assumed that firms respond to price promotions by promoting a product in the same category. In this paper, we extend this literature by considering the possibility that a firm may respond to a competitor's price promotions by also offering a cross-buying or bundling discount across products. Our model is comprised of two firms offering one product in each of two categories to customers who are interested in buying one unit in each product category up to a reservation price. The customers are segmented into complete loyalists (those who are loyal to a firm for both products), partial loyalists (those who are loyal to a firm for one product but purchase from the firm with the lowest price for the other product) and complete switchers (price sensitive customers looking for the best deal). Firms compete by choosing prices of their products in the

two categories and the magnitude of bundle discount, if any. Depending on the size of the switching segment and difference in willingness to pay between loyal and switchers, our analysis shows that firms may offer bundling discounts in equilibrium to reduce the intensity of promotional competition and increase profits. Our results thus extend the price promotions literature to study the impact of bundling or cross-buying discounts. Our results also extend the bundling literature by showing that bundling can increase firms' profits by reducing the intensity of promotional competition.

4 - ICEPORT: An Incentive Compatible Approach for Measuring Reservation Prices for Product Portfolios

Rabikar Chatterjee, Professor of Marketing, University of Pittsburgh, 340 Mervis hall, Pittsburgh, PA, 15260, United States, Rabikar@katz.pitt.edu, R Venkatesh

Our study is motivated by two recent advances on the topic of measuring consumers' reservation prices. Wang et al. (2007) draw on the literature on (product) performance- and preference-related uncertainty to demonstrate that an individual's reservation price is better represented as a range, and propose an incentive compatible methodology for measuring this range. However, their approach is applicable only for a single product. Jedidi et al. (2005) underscore the importance of measuring reservation prices jointly, for a portfolio of complements or substitutes, to make better bundling decisions. However, their method does not ensure incentive compatibility, and overlooks when and how the aforesaid dimensions of a consumer's uncertainty come to play in a multi-product context. We seek to integrate the principal objectives of the above two studies. Specifically, our study has two main objectives. First, we interpret the uncertainty literature in the context of product portfolios. Here we hypothesize and test how the nature of the interrelationships among the underlying products impacts a consumer's performance- and preference-related uncertainty with the bundle, and in turn the range in reservation prices for the bundle. Second, we propose an incentive compatible approach for reservation price elicitation at the multi-product level. The approach builds on related work in experimental economics. The approach is being implemented in the context of two jointly run museums in northeastern USA to propose optimal pricing and bundling decisions. While the museums have traditionally followed pure bundling, they are debating whether to switch to pure components or mixed bundling, and how to modify ticket prices.

■ FD15

Seminar Room 3.9 (Room 3029)

Sales Force Management II

Chair: Jorge Wise, Professor, ITESM - Campus Monterrey, Av. Eugenio Garza Sada 2501, Monterrey, NL, 64849, Mexico, jwise@itesm.mx

1 - Delegation of Pricing Authority to the Sales Force

Simone Schmidt, Institute of Marketing, University of Muenster, Am Stadtgraben 13-15, Muenster, 48145, Germany, s.schmidt@uni-muenster.de, Manfred Krafft

Economists have long understood the importance of co-locating decision rights with the knowledge that is valuable to those decisions. Following this prescription, some marketing scholars have developed strong theoretical arguments in favour of delegating pricing authority to the sales force. On the other hand recent literature argues that limiting pricing authority may be attractive to the firm because it eliminates a specific type of agency cost, namely, the sub-optimal substitution of selling effort by price discounting. Empirical work, however, reveals a significant number of sales organizations yielding only minimal authority to their salespeople. Given these divergences within and between theory and practice, the objective of this work is an integrated research regarding environmental, salespeople and sales or- ganizational factors that are influencing the pricing authority decision. Key research questions are: 1. Which environmental, company and salesperson characteristics determine the delegation of pricing authority? 2. What is the optimal degree of delegating pricing authority? 3. Which organizational implications for delegating pricing authority can be derived? The hypotheses derived from the theoretical framework are tested on a sample of 188 sales organizations of the engineering industry. To analyze the data structural equation modelling is used. Two different models have been developed: the first model regarding the influencing factors by expanding an agency-related basic model by moderating effects, the second model focussing on consequences of the delegation (degree, design and differentiation) on pricing authority outcomes and sales organization effectiveness.

2 - How Personal Selling Impacts Sales: A Meta-Analysis of Response Models

Shrihari Sridhar, Doctoral Student, University of Missouri, 433 Cornell Hall, College of Business, Columbia, MO, 65201, United States, shrihari.sridhar@missouri.edu, Sönke Albers, Murali Mantrala

The average company spends 10 % and some industries spend over 20% of their total sales revenues on sales force costs (Zoltners, Sinha and Lorimer 2004, p. 2). Although personal selling is a critical and expensive marketing instrument employed in many industries, there is a paucity of rigorous empirical research-based generalizations about the effectiveness of personal selling in different market settings. This is in stark contrast to the publication of multiple papers over the years that focused on presenting generalizable findings with respect to pricing, advertising and promotions elasticities. To fill this glaring gap in the marketing literature, the authors have assembled a comprehensive database of published empirical studies of sales response models incorporating personal selling effort over the last 4 decades. The authors report the results of a rigorous meta-analysis of the empirical estimates of personal selling effort elasticity in their database leading to several noteworthy empirical generalizations with respect to its determinants.

3 - Sellers' Individual and Group Differences in Ethics

Jorge Wise, Professor, ITESM - Campus Monterrey, Av. Eugenio Garza Sada 2501, Monterrey, NL, 64849, Mexico, jwise@itesm.mx

Individual and group ethics are analyzed using sellers. One point where ethics is central for companies is sales. Sales are the companies' contact with their buyers. Sales are done by individuals whom go out to get clients. Sellers are the companies' representatives for the customers. Sellers ethical behavior seems to be different while contacting customers or while sharing experiences with other co-sellers in the firm. This study demonstrates that sellers-individual-behavior is different from sellers-group-behavior. Having two different behaviors implies that seller own individual behavior differs from what is shared by a group of sellers. Sellers demonstrate good behavior within the group which is different from what they individually perform. This finding might modify the way sellers are trained in ethics. Similarly, failure to modify this misbehavior will damage the company image with the consequent reduction in sales.

■ FD16

Seminar Room 3.10 (Room 3031)

CLV and Cross-Selling

Chair: Shibo Li, Assistant Professor of Marketing, Indiana University, Kelley School of Business, 1309 East Tenth Street, Bloomington, IN, 47405, United States, shili@indiana.edu

1 - Purchase and Return of Regular and Cross-Category Products

Siddharth Singh, Assistant Professor of Management, Jones School of Management, Rice University, 6100 Main Street, Houston, TX, 77005, United States, sssingh@rice.edu

In the context of customer management, firms use customer lifetime value as a metric for evaluating relationship with customers. It is commonly believed that as customer-firm relationship gets older, up-selling and cross-selling by the firm increases customer lifetime value. This paper investigates purchase and return behavior of customers over lifetime with the firm in a direct marketing context. It focuses on the purchase and return of both regular and cross-category products. Among others things the paper aims to investigate the following questions: (a) Do customers purchase more of regular items as their relationship with the firm gets older? (b) Do customers purchase more cross-category items as their relationship with the firm gets older? (c) What is the return behavior of customers with respect to these two types of items? (d) How do purchases and returns of one type of item impact the purchases and returns of the other type of item?

2 - Customer's Profitability Over Time In the Presence of Switching Costs

Irit Nitzan, PhD Candidate, Tel Aviv University, Recanati Graduate School of Business Adm, Tel Aviv University, Tel Aviv, 69978, Israel, iritnitz@post.tau.ac.il, Barak Libai

How customer profitability evolves over time is of great interest to marketers, both because it enables informed calculation of customer equity, and due to its role in justifying investments in loyal customers. In this study, we examine the unexplored topic of how switching costs affect the dynamics of customer profitability. Using data from a natural experiment in the cellular industry, we follow consumer cohorts with various levels of switching costs over time. We show that under contractual

switching costs, retention rates, and consequently customer profitability, may go down with time, and not up as is commonly assumed. We also point out the unique role switching costs' expiration dates in the customer life cycle play in usage and retention.

3 - Measuring Customer Lifetime Value when Purchase Behavior is Heterogeneous and Dynamic

Jaime Romero de la Fuente, Lecturer, U. Autonoma de Madrid, Crta. Colmenar Viejo, km 15. Cantoblanco, Fac. Economicas, Madrid, 28030, Spain, jaime.romero@uam.es, Berend Wierenga, Ralf van der Lans

In this study we propose a probability model for customer lifetime value measurement. Our proposal adopts an always-a-share approach - customers are not allowed to defect. However, we account for changes in purchase behavior across time. We divide the problem in two parts: purchase frequency and the monetary value of transactions. We model purchase frequency through a hidden Markov model (HMM) of order one. Customers evolve across states that determine their number of purchases. These states are modeled using negative binomial distributions. We employ a stationary matrix in order to capture switching patterns, which is common to all customers. Regarding monetary value we use the gamma-gamma model (GG) proposed by Fader, Hardie and Lok Lee (JMR, November 2005), in which the expenditures of each customer are assumed to randomly vary around her average transaction value. We link the HMM and the GG model through Markov states, i.e. we build a mixture model in which mixture probabilities are the same than the probabilities of being in each one of the states that determine purchase frequency. We compare this model to standard mixture GG models. We also study the reliability of the model regarding lost-for-good models, as well as with regard to "static" models that do not account for customer dynamics. We have applied our model to scanner panel data from a retail outlet. Our first results show that our approach performs better than lost for good and static models when switching patterns between states are stable across time. First author financially supported by project BEC2003-07996

4 - An Empirical Analysis of Customized and Dynamic Cross-Selling Campaigns

Shibo Li, Assistant Professor of Marketing, Indiana University, Kelley School of Business, 1309 East Tenth Street, Bloomington, IN, 47405, United States, shili@indiana.edu, Alan Montgomery, Baohong Sun

Existing cross-selling literature has focused on developing methodologies to better predict purchase probabilities for the next product that is likely to be purchased. The goal is to find the best customers for a scheduled campaign. In this paper, we formulate cross-selling campaigns as a stochastic dynamic programming problem. We explicitly account for the company's long-term goal which is to maximize the long-term profit of its existing customers while taking into account the development of customer demand over time and the multi-stage role of cross-selling promotion. The model yields optimal cross-selling strategies that are a multi-step, multi-segment and multi-channel cross-selling campaign process about when to target which consumer with what product using what campaign channel (how). Using cross-selling campaign and transaction data provided by a national bank, we demonstrate the dynamic and state-dependent nature of the optimal cross-selling campaign decisions and derive structural properties of the customized and dynamic cross-selling campaign strategies. We show that the suggested cross-selling strategies are both more effective and efficient and the long-term profit is significantly improved.

Saturday, 8:30 - 10:00am (Session SA)**SA01**

Seminar Room 2.1 (Room 2001)

Special Session: Privacy, Marketing Strategy, and Policy

Chair: Ivan Png, Professor, National University of Singapore, 3 Science Drive 2, Singapore, 117543, ipng@comp.nus.edu.sg

1 - Social Interaction, Marketing Avoidance, and the Do Not Call Registry

Ivan Png, Professor, National University of Singapore, 3 Science Drive 2, Singapore, 117543, ipng@comp.nus.edu.sg, Kai-Lung Hui, Khim Yong Goh

Individual choices have been shown to be positively correlated with the choices of others in many contexts, including movie attendance and adoption of new products and technology. What explains these correlations? What is the underlying reason for the correlations? We investigate these issues in the context of the federal “do not call” registry. Our empirical strategy comprises two stages. In the first stage, we estimate diffusion curves of monthly subscriptions to the “do not call” registry for each county in the United States. For each county, we get a coefficient of peer-to-peer externalities. In the second stage, we regress the peer-to-peer coefficients on county-level demographic characteristics. We found the following results: 1. Income heterogeneity. The more narrowly defined is a consumer segment, the more accurately can direct marketing offers be tailored. A key influence on consumer choice is income. Accordingly, where the population is more heterogeneous in terms of income, direct marketing offers will be less well tailored, and hence, consumers will more likely join the “do not call” registry. Our results supported this hypothesis. 2. Racial heterogeneity. Where the population is more racially diverse, social interaction should be weaker. Indeed, we found that in counties that were more racially diverse, the peer-to-peer externality was lower.

2 - Competition for Customer Information: Online Personalization in the Presence of Privacy Concerns

Raymond G. Sin, Hong Kong University of Science and Tech, Dept. of ISMT, Clearwater Bay, Kowloon, Hong Kong, rsin@ust.hk, Ramnath K. Chellappa

Due to inherent privacy concerns associated with sharing of preference and personal information, online personalization services such as those offered through toolbars and desktop widgets, are characterized by “no-free-disposal” (NFD) property in that more services are not necessarily better for the consumer. There are two defining characteristics of this market: First, these services are “free” as firms value consumers’ preference information shared for personalization; second, while some firms provide toolbars of a fixed-length as a take-it or leave-it offer, many others provide consumers with the option of choosing a subset of the portfolio of services offered. Our findings suggest that in a fixed-services duopoly where firms are sufficiently different in their capacities to generate revenues or lower costs from mining and using customer information, one firm caters to convenience seekers in the market while its competitor serves a portion of largely privacy seeking consumers in equilibrium. On the other hand, if the duopoly were characterized by sufficiently high marginal values for information (MVIs), the firms would minimize differentiation and offer the same number of services in both fixed and variable services cases. Counter to intuition, some very high-MVI firms may prefer offering the full set of variable services over the fixed-services strategy, maximizing both consumer and social welfare. Our results lead to important managerial and policy implications and interesting extensions to the existing location models.

3 - A Regulatory Focus Approach to Examine Biometric Privacy Concerns

May Lwin, Asst Prof, Wee Kim Wee School of Communication, Nanyang Technological University, 31 Nanyang Link, Singapore, 637718, tmaylwin@ntu.edu.sg, Jerome Williams, Jochen Wirtz

Businesses today need to address the issue of authentication and provide hassle free and accurate identification. The successful and secure use of biometric systems has the potential to deliver significant cost savings, preventing fraud and enhancing consumer satisfaction. It also has the potential to provide effortless and accurate customization. Even though biometrics can competently address the issue of security and personal identification, consumer privacy concerns about biometrics abound. The large scale collection and storage of biometric data in order to make such an authentication system cost effective has given rise to ‘Big Brother’ concerns where one’s anonymity can no longer be safeguarded. We use the Regulatory Focus Theory framework to develop a

model to define the relationships between external cues, past experiences and regulatory-focused behaviors. Regulatory focus theory concentrates on self-regulation towards desired end-states and proposes that people are guided by two distinct motivational systems- promotion-focus and prevention-focus (Higgins 1998). In particular, we propose the potential mediating roles of trust and privacy concern on promotion-focused vs. prevention-focused behaviors. Our research framework proposes that consumers rely on external cues and experiences of biometrics to determine their trust levels and consequently their adoption attitudes towards a newly implemented biometric system.

4 - Is There a Cost to Privacy Breaches?

Alessandro Acquisti, Heinz School, Carnegie-Mellon University, 5000 Forbes Av, Pittsburgh, United States, acquisti@andrew.cmu.edu, Allan Friedman, Rahul Telang

While the literature on information security economics has begun to investigate the market impact of security breaches and vulnerability announcements, little more than anecdotal evidence exists on the effects of privacy breaches. In this paper, we present a comprehensive analysis of the market impact of a company’s privacy incidents. We compiled and made available to other researchers a broad data set of instances of exposure of personal information due to failures of some security mechanism (hacking of consumer data, stolen or lost equipment containing employees’ information, and others). We present the results of various empirical analyses - including but not limited to event study analysis. We show that there exists a negative and statistically significant impact of personal data breaches on a company’s market value on the announcement day for the breach. The cumulative effect increases in magnitudes over the day following the breach announcement, but then decreases and loses statistical significance. We also present regression analyses that aim at disentangling the effects of a number of factors on abnormal stock returns due to reported breaches. Finally, we contrast the impact of security breaches already described in the literature to the impact of the privacy breaches described in our paper.

SA02

Seminar Room 2.2 (Room 2002)

International Marketing IV

Chair: Stefanie Whitmore, Student, Rollins College, 1000 Holt Avenue, Winter Park, FL, SWHITMORE@Rollins.edu

1 - Co-Marketing: Manage Risk and Maximize Results in Marketing

Nipun Agarwal, Business Analyst, Hewlett Packard, House No.28, Thimmarreddy layout,, Kaggadasapura, CV Ramanagar, Bangalore, 560093, India, nipunagg@hotmail.com

In today’s economy, business is increasingly extending the enterprise outside of the traditional boundaries to allow greater access to services, systems and information. And now in the era of globalization, how global market opportunities and threats influence the degree of cooperation in international business is incredible. This is also true in the field of international marketing, where firms are now participating in co-marketing alliances to enrich their marketing activities. This way firms together share the involved risks & the results. The word “Co-operation” is considered a very relevant antecedent of long term relationship, comparable to trust. It has mainly been studied in the area of partnership and firm alliances, showing that co-operative attitudes depend on the levels of satisfaction experienced during transactions. The literature in the field of marketing, international a business and strategic management also confirm of how the degree of cooperation in co-marketing alliances and international marketing performance are closely related to each other. Taking above into consideration, this paper will try to discuss and emphasize on how businesses running in a co-operative environment are managing risk and maximizing their results, how decisions are made in a co-operative environment and how firms can enhance their performance in the global market through increased cooperation in such alliances. This is explored through a real life example in the field of marketing, which is about a co-op advertising and branding program, “Intel Inside Program”, started by Intel Corporation in 1990s.

2 - Universal Semiotic Appeals in International Fragrance Advertising

Stefanie Whitmore, Student, Rollins College, 1000 Holt Avenue, Winter Park, FL, United States, SWHITMORE@Rollins.edu, Marc Fetscherin

Globalization has impacted many dimensions of international marketing. Some experts claim it has provided companies the option to standardize their advertising strategy. Others maintain that, despite globalization and the emergence of so called “global products,” consumer tastes, preferences, and purchasing habits around the world vary greatly enough that the intended message of “global” advertisements can easily be lost in cultural translation. This paper examines the effectiveness of semiotic appeals in fragrance advertising. The first section of this paper

outlines the objectives of this paper and provides a literature review about global advertising in the fragrance industry. The second section presents the semiotic analysis framework which is used as a basis for analyzing advertisements in respect to semiotics appeals. The third section of this paper provides qualitative and quantitative data from the empirical study involving semiotic analysis of the advertisements for three perfumes as well as a questionnaire administered to a representative sample population of the target audience for the ads. The results of the study indicate that advertisers are using semiotic appeals in fragrance advertising that do generate the desired fragrance expectations; however, these appeals are not creating expectations among the target consumer that match with the scent of the actual fragrance. These ads can be visually and rhetorically appealing, but do little more than capture attention (A) and create interest (I); they do not appear to be strong motivators for fragrance desire (D) or purchase (A)*. The paper also addresses the cultural causes and implications.

SA03

Seminar Room 2.3 (Room 2004)

Charity and Cause Marketing

Chair: Aradhna Krishna, University of Michigan, W6734 Ross School of Bus., 701 Tappan Street, Ann Arbor, MI, 48104, United States, aradhna@umich.edu

1 - A Dynamic Model of Guilt as Driver of Response to Charitable DM

Merel van Diepen, Erasmus University Rotterdam, Postbus 1738, Rotterdam, 3000 DR, Netherlands, mvandiepen@few.eur.nl, Bas Donkers, Philip Hans Franses

Many studies have investigated motivations to comply with a charitable donation request. Extant literature has focused primarily on why people give to charity in a static context; why do people respond to a given mailing. In real life, many people make multiple donations each year, but at the same time most of them do not respond to all the requests they receive. No research has been done on the mechanisms that generate the dynamics of the donation behaviour. Many people feel a moral or social obligation to support charitable causes and non-compliance with this standard might result in feelings of guilt. In this paper we investigate how such guilt feelings affect donating behaviour over time. We consider the stock of guilt, representing the total feelings of guilt towards charitable causes. We assume that this stock of guilt grows over time as a result of moral or social obligation and receiving direct mailings. Making a (costly) donation reduces the stock of guilt, but at decreasing returns to scale. We assume people optimally plan their donations, based on expectations about the mailing behavior of the charitable organizations. The solution of the resulting dynamic programming model suggests that when the stock of guilt reaches a certain high level, this drives the individual to make a donation, thereby reducing their stock of guilt. We estimate this model using a unique dataset with records of all direct mailings received from and donations made to six charities.

2 - Consumer Perceptions of and Donation Intentions to International Relief Organizations

Chen-Yi Yen, Graduate Research Assistant, Department of Marketing, National Chung Hsing University, 250 Kuo Kuang Road, Taichung, 402, Taiwan, ritalovesgod@yahoo.com.tw, Jane Lu Hsu

International relief organizations provide disaster relief and rescue in areas required urgent help and often lack of public aides. Some of international relief organizations were founded more than a century ago and still function in assisting poor and wounded to increase welfare of human beings. International relief organizations have branches established in Taiwan for decades. The major marketing activities of these international relief organizations are for fund-raising. Propagandas and news related to their event marketing are often seen in media. However, limited literature has discussed consumer perceptions of international relief organizations in Taiwan. This study intended to examine consumer perceptions of international relief organizations and reveal consumer donation intentions. Four famous international relief organizations, Red Cross, United Way, World Vision, and ORBIS, with branch offices in Taiwan and were active in marketing were selected in this study. A consumer survey was administered in the metropolitan area in Taipei. Three hundred respondents were personally surveyed using stratified sampling method following the distribution of population in the latest census. Motivation to donate, awareness of and attitude toward international relief organizations of respondents were discussed in the study. Respondents were further segmented into different clusters to reveal various donation intentions to international relief organizations. Results indicated that consumers with strong motivations and

positive attitudes toward international relief organizations were those who were willing to support international relief organizations continuously. Based on the results of the study, strategic marketing was suggested for marketing managers.

3 - Cause-Marketing - Noble or Insidious?

Aradhna Krishna, University of Michigan, W6734 Ross School of Bus., 701 Tappan Street, Ann Arbor, MI, 48104, United States, aradhna@umich.edu

Recently, there has been an increase in the number of firms carrying a cause-related product. Most of these cause-related products represent one product among many carried in a portfolio — Avon sells unique “pink ribbon” fundraising products to support cancer and Dancing Deer Bakers has a line of cookies to fight homelessness. In this paper, we focus on how linking one product in a product portfolio to a cause can increase sales of that product and of other products in the firm’s portfolio. We show how this comes about by the disparate actions of “behaviorally socially responsible” consumers and “armchair ethicists”. We use our behavioral model in a competitive game to show that multiple equilibria may exist in the market. For instance, firms may link their best product with a cause, their less compelling product with a cause, or even link such an inferior product with a cause that few people buy it. We test the behavioral underpinnings and behavior implications of our model in a laboratory experiment. Our research demonstrates that by carrying cause related products companies can not only improve their image in the public eye but also increase profits. Additionally, our experiments are able to separate the behaviorally socially responsible consumers from the armchair ethicists.

SA04

Seminar Room 2.4 (Room 2005)

Marketing Generalizations

Chair: Raj Sethuraman, Southern Methodist University, 6212 Bishop Boulevard, Dallas, TX, 75025, United States, rsethura@mail.cox.smu.edu

1 - It's 50/20, not 80/20, for Consumer Packaged Goods Purchasing

Jikyung Kim, PhD Student, London Business School, PhD Programme, London Business School, Regent's Park, Sussex place, London, NW1 4SA, United Kingdom, jkim.phd2005@london.edu, Nader Tavassoli, Bruce Hardie

The law of “the vital few and trivial many” can be observed in nearly all domains, including consumer purchase behaviour, sales force productivity, quality control, inventory management, etc. Also known as the 80/20 rule, this simply states that 80% of the outcome is attributable to the 20% of the cause. For example, 80% of the purchases of a product come from 20% of the customers. Many managerial articles in business take this figure quite literally and quote it without actually investigating the data associated with their setting. This study investigates whether 80% of purchases truly are made by the top 20% of the customers. Using scanner panel from 242 consumer packaged goods categories covering 2,376 brands, we find that on average the ratio is 50/20, not 80/20 (i.e., the top 20% accounts for about half, not 80% of the purchases). Variability in brand level concentration can be explained in large part by category level concentration. We also observe that, within a category, variation of the brand concentration is correlated with the brand share. Other correlates and the corresponding consequences are explored in the paper.

2 - Generalizations on Pharmaceutical Marketing Effectiveness

Sara Kremer, University of Groningen, Department of Marketing, P.O. Box 800, DRS-building 030, Groningen, 9700 AV, Netherlands, s.t.m.kremer@rug.nl, Tammo Bijmolt, Peter Leeflang, Jaap Wieringa

Marketing activities employed by pharmaceutical companies are subject of public debate worldwide. Part of this debate is due to the fact that the effects of promotion variables are proliferated in numerous empirical studies that have been done. We performed a meta-analysis to formulate generalizations on effectiveness of pharmaceutical marketing instruments. A broad literature search across various disciplines yielded 71 (published and non-published) sources with over 1100 marketing effects. With respect to the overall effect of marketing mix in pharmaceutical market, we found an average DTC elasticity of .05 and an average DTP elasticity is .28. The average DTP elasticity is significantly higher than the average DTC elasticity, and by deploying a mixture of both instruments synergy effects can be gained. The most important findings on moderating variables explaining the marketing effects are: (1) elasticities reported in medical journals are larger compared to elasticities reported in marketing journals, (2) studies collecting their data after 2000 report higher marketing mix elasticities, (3) U.S. studies find higher DTP elasticities compared to studies based on European data, (4)

studies accounting for behavioural detail (e.g. word-of-mouth effect and learning effect) find higher DTP elasticities, (5) marketing mix variables which are defined as stocks have higher marketing mix elasticities, and (6) studies including lagged variables in their equations find lower marketing mix elasticities.

3 - How Widespread is Cost-Based Pricing? Meta-Analytic Evidence on its Proportion and Antecedents

Paul Ingenbleek, Assistant Professor, Wageningen University,
Hollandseweg 1, 6706 KN, Wageningen, Netherlands,
Paul.Ingenbleek@wur.nl, Inge Geyskens

Most pricing textbooks and narrative reviews of the pricing literature claim that cost-based pricing (CBP, also called cost-plus or mark-up pricing) is the most widespread pricing practice across firms. In the marketing literature, CBP is generally considered a troublesome pricing practice because it may lead to prices that are higher than what customers are willing to pay or to missed profit potential. Insights in how widespread CBP actually is, have not always been cumulative, because of the length of the research tradition (over six decades) and the wide range of academic disciplines in which studies on CBP have been published. Using meta-analysis on data of 73 samples from 66 studies from 28 countries on five continents, representing the pricing behavior of 20,456 firms, this study finds that the proportion of firms in which CBP practices prevail is .44, which is significantly lower than the proportion greater than .50 that is often assumed in the marketing literature. An analysis of factors that may explain the variance in proportions, shows that (while correcting for several design and measurement characteristics) a country's R&D expenditures, management education, and corporate credibility lower the proportion, whereas competitive intensity, labor costs, and export orientation increase the proportion. Surprisingly, also a country's advertising expenditures increase the proportion of firms with a prevalence in CBP, which is explained on the basis of life cycle theory suggesting that more mature firms have larger advertising expenditures as well as more rigid routines like CBP.

4 - "TIE"ing up Empirical Generalizations in Price Promotion Decisions

Raj Sethuraman, Southern Methodist University,
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rsethura@mail.cox.smu.edu, BPS Murthi

Empirical generalizations in marketing predominantly relate to observing consistent patterns in market response or consumer behavior. This article attempts to take empirical generalization to the next level — of identifying consistent patterns in marketing decisions (firm behavior) as opposed to market response or consumer behavior. Our objective is to identify some "empirical generalizations" about price promotions, specifically on the relationship between brand share and brand price with the depth and frequency of price cuts. We adopt what we term the TIE approach, which stands for Theory, Intuition and Empirical Validation. We first obtain the theory and intuition from game theory models of price promotions. From this analysis, we develop six hypotheses linking brand characteristics to frequency and depth of price discounts, and timing of promotions. We test these hypotheses using store level scanner data across several grocery product categories from three different supermarket chains, and obtain some insightful empirical generalizations. The motivation for the TIE approach is that the combined strength of theory, intuition, and empirical validation across multiple studies lend greater credence to the finding and to its status as an empirical generalization in the case of firm-level decisions. If there is strong theoretical foundation, intuition, and empirical support for a hypothesis, then researchers can feel comfortable in prescribing that strategy as a guideline for managers.

SA05

Seminar Room 2.5 (Room 2012)

Network Effects and e-Marketing

Chair: Nan Hu, Assistant Professor, Singapore Management University,
80 Stamford Road, Singapore, hunan@smu.edu.sg

1 - What Information can Resolve the Chicken and Egg Problem in Two-Sided Networks? A Field Experiment

Catherine Tucker, Assistant Professor of Marketing, MIT Sloan
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The usefulness of many products depend on two separate groups of users adopting them. Most students of network effects in two sided-markets have assumed that both sides of the market are perfectly informed about the number of users on both sides of the market. In this research, we see whether information about participation can be a useful marketing tool which can help firms resolve the chicken and egg problem inherent in such markets. We explore this by using field exper-

iments conducted by an online shopping portal which brings together sellers and buyers of used furniture. We compare how participation levels in this market were affected by whether information was provided to the merchants, either about how many customers there were shopping on this site, or how many other merchants there were listing products on this site, or both. Our empirical results show that usage information can have a large impact on future participation in two-sided markets. Therefore firms whose products' success depends on getting two separate groups of users on board need to think strategically about how much information they dispense about network participation and at what stages in the product life-cycle they dispense it.

2 - Social Network Externalities and Price Dispersion in Online Markets

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Ample Empirical studies in the e-commerce literature have documented that the price dispersion in online markets is 1) as large as that in offline markets, 2) persistent across time, and 3) only partially explained by observed e-retailers' attributes. Buying in internet market is risky to consumers. First, consumers and the products are separated in time. There is a delayed time between the time consumer pays and the time he or she receives the order. Second, consumers and the products are separated in space. Consumers can not physically touch or exam the products at the point of purchase. As such, online market expansion involves an adoption process that is fed by the interaction of consumers' experiences in the form of references, recommendations, word of mouth, etc. The network externalities introduced by the interaction of consumer experiences leads to higher degree of sales concentration in online markets. For example, in the online book market, Amazon and Barnes & Noble combine almost 85% of the market. This research aims to study online market price dispersion from the social network externalities perspective. More specifically, we would like to address two research questions: 1) How do social network externalities affect the consumer demand and 2) In what degree do social network externalities explain online market price dispersion? Our model posits that consumers are risk averse and assess the risk of having a satisfactory transaction using other shoppers' opinions and purchase experiences. Our model yields several important propositions which we empirically test using data sets collected from e-Bay.

3 - Network Structure and the Long Tail of Electronic Commerce

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Hyperlinked network structures influence the attention individuals pay to different web pages, thereby altering the distribution of demand across products sold on the Web. We study how network structures affect demand in electronic commerce, using daily data about the graph structure of Amazon.com's co-purchase network for over 250,000 products, gathered over this year. We describe how the presence of such network structures alters demand patterns by changing the distribution of traffic between ecommerce web pages. When this traffic distribution generated by the presence of the network is less skewed than the intrinsic or "real world" traffic distribution, such network structures will even out demand across products, leading to a demand distribution with a longer tail. We estimate an econometric model to validate this theory, and contrasting the demand distributions of products in over 200 distinct categories on Amazon.com. We quantify the influence of the network by computing each book's PageRank, which measures its network centrality, and we characterize the demand distribution of each category using its Gini coefficient. Our results establish that categories whose products are influenced more by the network structure have significantly flatter demand distributions, which provides an additional explanation for the widely documented phenomenon of the long tail of e-commerce demand. This "long tail" of demand is more prominent when the network features assortative mixing by category, and persist over 28 daily graphs despite significant changes in the network's composition. Our research in progress aims to extend these results by using a model of consumer behavior more consistent with the economics of electronic commerce, one we term the "strategic surfer" model.

4 - Do Online Reviews Affect Product Sales? The Role of Reviewer Characteristics and Temporal Effects

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Ling Liu, Jennifer Zhang

Online word-of-mouth (WOM) communication in the form of product reviews, such as those provided by consumers who have previously purchased a product, has become a major information source for consumers and marketers about a product's quality. The literature has shown a positive correlation between the review scores and product sales. This study extends previous work by conducting a more compelling test of the effect of online reviews on sales by relating abnormal change in sales to

change in review scores. Besides review score, we also consider other contextual factors such as reviewer quality, reviewer exposure, product coverage and temporal effects in consumer response to online reviews. We use an innovative portfolio approach to assess efficiency of the online review markets. We use data on more than 4 million online reviews involving more than 130 product items to test our hypotheses. We show that consumers react to positive changes more favorably than for negative changes in review scores. Furthermore, consumers not only pay attention to the review score, but they also consider other contextual information such as a reviewer's reputation and reviewer exposure. Market responds more favorably to a review written by a reviewer with better reputation and higher exposure. Finally, we demonstrate that the longer an item has been released to the market, the smaller the impact of online review on its sales suggesting that firms need not provide incentives for encouraging reviews for products after a certain release date.

■ SA06

Seminar Room 2.6 (Room 2013)

Product Line Management

Chair: Michaela Draganska, Stanford GSB, 518 Memorial Way, Stanford, 94305, United States, draganska_michaela@gsb.stanford.edu

1 - Retailer's Product Line Design in a Vertically Differentiated Product Category

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In this study, we address a retailer's product line design problem in vertically differentiated product categories. Traditionally, product line design has been a manufacturer's decision while retailers simply create product assortments out of available national brands. However, the increased availability of store brand suppliers now provides retailers with opportunities to create its own line of multiple store brands within a product category. In fact, a growing number of retailers introduce high-priced new store brands while keeping original low-priced store brands in the same category. In turn, this aggravates shelf space scarcity, forcing retailers to decide the best assortment of national brands and store brands in a category. What will be the resulting optimal product assortment for retailers? How will it affect national brand manufacturers? If a retailer chooses to design its own line of store brands, how will they be different from the product lines designed by national brand manufacturers? We explore these questions both theoretically and empirically. We first develop a game-theoretic model of a channel to reflect different combinations of store brands and national brands in the retailer's assortment. From this analysis, we seek to identify the underlying strategic forces shaping the retailer's optimal product line design and assortment decisions and the resulting quality level(s) of the store brand(s). An empirical analysis follows to test the main conclusions of the theoretical analysis.

2 - Product Line Design with Non-alignable Attributes

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In competitive marketing environment, firms constantly introduce new product features to help them better differentiate their brands from competitors' brands. The important portfolio-related questions facing these firms are how many options in their portfolios should have a new product feature and which one. The problem can become even more complex if firms consider multiple new features at once. Previous choice models assume that consumer's preference for one option over another is described by differences in their overall utilities, which are functions of different attributes. However, recent psychological-based research suggests that differences between options can be distinguished as either alignable differences or non-alignable differences. An alignable difference occurs when two options differ in corresponding aspects of the same attribute (e.g., one cell phone has 1 mega pixels camera and the other has 3 mega pixels camera). A non-alignable difference, on the other hand, occurs when one option possesses an aspect which has no correspondence with the other (e.g., one cell phone has an MP3 and the other has a GPS). This research shows that consumers evaluate these two types of differences differently. Given the majority of new product features likely introduces non-alignable differences among options, we argue that it is important for firms to consider the nature of such differences in anticipating how consumers make their product choices. In this paper, we develop a choice model that can accommodate alignable vs. non-alignable differences across options. We demonstrate how firms can strategically utilize these differences to increase the likelihood of consumers choosing options from their portfolios.

3 - Beyond Plain Vanilla: Modeling Joint Pricing and Product Assortment Choices

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Katja Seim, Michael Mazzeo

Research both in marketing and economics so far has treated product attributes as exogenous when estimating demand and supply models. While this assumption may be justified in the short run, in the long run managers make product-positioning decisions by taking into account the demand they face relative to the competitive landscape. In this paper, we take a first step toward exploring the positioning strategies of oligopolistic firms by treating product choice as endogenous. Firms compete by choosing which products to offer and then setting prices. We model firms' positioning decisions as a game of imperfect information where competitors have cost advantages to offering certain product types. We assume such cost advantages to be unobserved by the firm's rivals in the market at the time at which positioning decisions are made. In the resulting Bayesian Nash equilibrium, firms sort into product offerings that allow them to target demand optimally while limiting competitive intensity.

■ SA07

Seminar Room 2.7 (Room 2014)

The Financial Marketplace and Marketing

Chair: Dmitri Markovitch, HEC School of Management - Paris, 1,
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1 - The Evolution of Markets: Power Law and Capital Markets

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Marketers are focused on studying the nature of exchanges. The typical focus has been devoted to product markets. We turn our attention to the trading of stocks in capital markets. Trading in stocks in the U.S. has grown dramatically over the last five decades but it is an open question as to whether this growth has been uniform across all stocks or is disproportionately concentrated in a subset of stocks. Power law functions and, in some cases, Zipf's Law, have been found to accurately model a remarkably wide range of physical science, social science, and economic phenomena and that the power law exponent can also be used as a general measure of market concentration. To measure the unevenness of trading across stocks, we model the distribution of daily trading volume across all stocks in the U.S. market and in each of the three U.S. exchanges as a power law function. The effect of evolution of capital markets may be examined through the lens of Zipf's Principle of Least Effort. This principle holds that there are two opposing forces at play, those of unification and diversification. We theorize that the influence of these opposing forces suggests three alternative hypotheses. We estimate the power law model for each trading day, from 1962 to 2005 both at the market and at the exchange level. The results of our time series analyses of the daily power law exponent across markets are intriguing in that they suggest a new previously undocumented phenomenon.

2 - Estimating Underlying Customer Preferences: Empirical Modeling and Technical Analysis of STOC data

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Estimating customer preferences for new products is imperative for firms. Virtual stock markets can reveal traders' underlying expectations, but are also subject to trading artifacts and gaming. We aim to separate the underlying value of product-based virtual stocks from the pricing changes caused by gaming, uncertainty, and cyclicity to improve the accuracy of preference measurement. Our methodology may also point to potential improvements in automating market makers for the purpose of securities trading of concepts (STOC). Virtual stock markets have proven effective for information aggregation as well as prediction (e.g., presidential elections, sales forecasting, movie box office) and at measuring preferences over product concepts and attributes (Dahan, et al. 2007). Typically in these markets, traders base their buying and selling decisions on underlying expectations of the value of each product or attribute, but they also respond to and learn from price changes in real time during the trading process. Consequently, higher-order expectations are reflected in the path of prices in an efficient manner (Sunder, 2002). We seek to improve estimates of underlying value by disentangling traders' learning processes and reactions to price changes. To accomplish this, we develop an empirical model based on a conceptual framework by Dahan et al. (2007) and a theoretical model by Allen et al. (2006). We examine hypotheses describing the participants' gaming behaviors and develop a novel estimation approach for intrinsic values

after controlling for gaming effects. The approach is robust to the thinness of the virtual markets and could lead to improved automated market makers for virtual markets where outside news does not affect stock prices.

3 - Can the Stock Market Predict Sales Takeoff and the Long-Term Survival of Firms?

Dmitri Markovitch, HEC School of Management - Paris, 1, Rue de la Libération, Jouy en Josas, 78351, France, markovitch@hec.fr, Peter Golder

The sales takeoff is the critical event in the market history of really new products. At takeoff, sales grow by 100-300% typically and a new product emerges into mass-market consciousness. Such a dramatic change requires that managers re-think all elements of their marketing strategy. Currently, managers have limited ability to anticipate takeoff, and there is tremendous uncertainty at takeoff about which firms will succeed in these promising new markets. Our research evaluates whether stock prices can help to predict the takeoff and the long-term survival of firms at takeoff. We find that abnormal returns are strongly positive in the year prior to takeoff, thus providing an important signal of the takeoff. Moreover, we find that negative abnormal returns in the year of takeoff and one year after takeoff increase the hazard of market exit by 8 times relative to firms without these negative abnormal returns. We discuss the implications of these findings for managers and researchers.

■ SA08

Seminar Room 2.8 (Room 2015)

Topics in Social Networks

Chair: Anindya Ghose, New York University, Stern School, 44 West 4th Street, New York, NY, United States, aghose@stern.nyu.edu

1 - Characteristics of Opinion Leaders in Consumer Electronics

Frank van Rijnsoever, PhD-Student, Utrecht University, Heidelberglaan 1, Utrecht, 3584 CS, Netherlands, f.vanrijnsoever@geo.uu.nl

Opinion leaders play an important role in the diffusion networks of innovations. According to Rogers (2003); opinion leaders have a larger exposure to mass media; have greater social participation; have a higher socioeconomic status and are more innovative than their followers. These generalizations are empirically tested for the domain of consumer electronics with the use of the opinion leadership scale by Flynn et al. (1996). A survey was administered among Dutch consumers at various places in public life; this resulted in a representative sample of 2105 respondents. After ensuring the reliability of the scales by a factor analysis, the following results were obtained. Many weak ($r = 0.3$) but significant correlations were found for the exposure to mass media and social participation. Opinion leadership was weakly, but significantly correlated with socioeconomic status ($r = 0.136$). Age was negatively correlated ($r = 0.294$); males were more likely to be opinion leaders than women (one-way ANOVA; $F = 210.411$; $p = 0.01$). Opinion leaders were more innovative ($r = 0.426$) and involved ($r = 0.666$). A linear regression ($r\text{-square} = 0.265$) shows that opinion leaders for consumer electronics are young, male, higher status consumers, who spent much time surfing on the internet and communicate a lot by telephone; they already own many consumer electronics. We conclude that although many stereotypes for consumer electronics opinion leaders are confirmed, the generalizations made by Rogers (2003) are only very weakly empirically supported for this product domain. Therefore these generalizations are not necessarily useful for strategies to encourage the diffusion of innovations.

2 - A Model of Word-of-Mouth Transmission of New-Product Information Through Social Networks

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We present a model of word-of-mouth (WOM) communication among consumers in a social network. Our framework involves a multi-period game with several components: (1) every consumer needs to purchase exactly one unit of a product category; (2) for the purchase, the consumer has to decide between a status quo product and a new product; (3) there is more uncertainty regarding the new product than the status quo product; (4) it is possible to receive WOM information about the products from the consumer's network neighbors; (5) one pre-specified consumer, the opinion leader, makes a purchase decision in the first period of the game, followed by her neighbors in the second period, who are in turn followed in the third period by their neighbors who

have not yet purchased, and so on. We identify a phenomenon called "WOM herding", in which consumers imitate their neighbors' purchase decisions regardless of those neighbors' post-purchase consumption experience, although such information is available as part of the WOM message. The mechanism of WOM herding is different from that of herd behavior as traditionally studied in economics, but the outcome characteristics are similar. We also apply our model to investigate opinion leader characteristics and firm pricing strategies.

3 - The Dimensions of Reputation in Electronic Markets

Anindya Ghose, New York University, Stern School, 44 West 4th Street, New York, NY, United States, aghose@stern.nyu.edu, Panagiotis Ipeirotis, Arun Sundararajan

When buyers purchase products in an electronic market, they assess and pay not only for the product they wish to purchase, but for a set of fulfillment characteristics as well: for instance, packaging, timeliness of delivery, the extent to which the product description matches the actual product, and reliability of settlement. Prior studies of online reputation and word-of-mouth have examined their impact on market outcomes using a single number to characterize a seller (typically, the average numerical rating reported by prior buyers or reviewers). Our study is based on the conjecture that the qualitative information contained in text-based feedback plays a substantial role in establishing reputation and word-of-mouth, and is thus an important (and understudied) determinant of pricing power in electronic markets. Towards this, we present a framework for identifying the different dimensions of online reputation and characterizing their influence on the pricing power of sellers. We develop and implement a new technique that identifies and quantitatively assesses dimensions of importance in reputation profiles or in word-of-mouth. The estimation of a set of regressions on this data set validates the predictions of our theory, and further, ranks these dimensions of reputation based on their effect on measured seller value, identifying those that have the most significant impact on reputation in an electronic market. This paper is the first study that integrates econometric and computer science techniques toward a more complete analysis of the information captured by reputation and word-of-mouth systems, and it presents new evidence of the importance of their effective and judicious design.

■ SA09

Seminar Room 3.1 (Room 3001)

Market Research VI

Chair: Tin Seong Kam, Practice Associate Professor, Singapore Management University, 80 Stamford Road, Singapore, 178902, tskam@smu.edu.sg

1 - The Impact from the Multimedia Use on Validity in Market Research - An Investigation for the Usage of Multimedia within Stimuli Presentation

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The demands which are made on the validity of market research results cannot be reached up to now for innovative investigation objects. The biggest problem is that during the data investigation (where real products and services are not available) the respondents usually do not have enough information about the investigation object. Here the use of multimedia offers special potentials as alternative for an early presentation of the innovation. In this paper the use of multimedia in market research studies during the presentation of the examined offer alternatives (so called stimuli presentation) is investigated. For this investigation the method of conjoint analysis (e.g., Green/Srinivasan 1978) is used. As investigation object an innovative service is selected because service innovations cause special demands on the research design of market research studies on account of their peculiarities (e.g., immateriality and integration of an external factor). In particular three aspects should become clarified where previous investigations did not focus on (e.g., Brusch 2005). At first this is the choice of the basic presentation alternative for the description of the attributes and levels in the data investigation step (keyword "multimedia integration"). Thereafter the optimum of multimedia use intensity (keyword "multimedia intensity") is examined. Finally the possibility of the integration of an extensive information stage before the data investigation (keyword "preliminary information") is analyzed.

2 - GIS as a New Tool for Marketing Research

Tin Seong Kam, Practice Associate Professor, Singapore Management University, 80 Stamford Road, Singapore, 178902, tskam@smu.edu.sg

In this globalizing and competitive business environment, the value of location as a business measure is fast becoming an important consideration for organisation. Geographical Information System (GIS) with its capability to manage, display, analyse business information spatially is emerging as a location intelligence tool. Using a case study on the tobacco market in Shanghai, People Republic of China, this paper demonstrates how GIS has helped a multinational company in improving their understanding of the market scenario at the micro-level. The paper concludes by highlighting the challenges that are faced in developing GIS-based market intelligence systems and the potential to integrate such technology within a marketing information system.

SA10

Seminar Room 3.2 (Room 3003)

Retail Level Strategies

Chair: Yusong Wang, Assistant Professor of Marketing, Singapore Management University, 50 Stamford Road, Singapore, 178899, yswang@smu.edu.sg

1 - Strategic Secondary Market Creation and Reactionary New Product Introduction for Durable Goods

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Secondary markets are commonly found when durable goods can be sold to users who are willing to purchase pre-owned products. Quite often the secondary market is mediated by a retailer who buys and sells the used products as in the case of text-books and automobiles. In the past, the creation of the secondary market has been assumed to occur exogenously based on the existence of demand for pre-owned products. In this research we consider the case where the opening of a secondary market is a strategic choice by a retailer. We use a game-theoretical model to study the strategic interaction between a manufacturer and a retailer where the retailer can open a secondary market and where the manufacturer can decide on the releasing of a new product. In such a model, the retailer can strategically use the secondary market as a tool to influence the manufacturer's decision on new product introduction. In this paper, we answer the following questions: When should the retailer create a secondary market? When should the manufacturer respond with a next generation product? What is the amount of differentiation that the manufacturer should provide between the two generation of products?

2 - A Dynamic Model of Entry and Vertical Competition on the Economic Rationale of Slotting Allowances

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In retail markets, slotting allowances have become a common practice, i.e. manufacturers pay lump-sum fees to retailers for initially stocking their new products. The question whether these fees are anticompetitive or efficiency-enhancing has not been answered without ambiguity yet. Substantial empirical research is rare, with the notable exceptions of Rao and Mahi (2003) and Sudhir and Rao (2006). However, both studies lack generalizability due to severe data limitations, e.g. non-response bias. Previous theoretical research in the vein of Shaffer (1991) is also limited since it is based on static models of competition with slotting allowances accounting for the fixed fee of a two-part tariff. Building upon Pakes and McGuire (1994), we develop a dynamic game-theoretic model of entry with vertical competition, in which strategic decisions of manufacturers and retailers stem from a single Markov perfect equilibrium. In our model, slotting allowances affect assortment decisions as well as entry and investment of manufacturers, thereby long-run industry evolution and, ultimately, firm values. We compute the retailer-optimal size of slotting fees (in terms of firm value) for different levels of retailer power which allows us to test retailer power as an anticompetitive rationale under fairly general assumptions. Adding information asymmetry about the true entry quality of a manufacturer to the model further enables us to analyze signalling as an efficiency-enhancing rationale. Our results indicate that under information asymmetry slotting allowances may enhance channel efficiency. Moreover, their volume increases with the flop probability of new products, but generally not with retailer power.

3 - Optimal Guaranteed Profit Margins for both Vendors and Retailers in the Fashion Apparel Industry

Byong-Duk Rhee, Associate Professor of Marketing, Whitman School of Management, Syracuse University, 721 University Avenue, Syracuse, NY, 13244, United States, brhee@syr.edu, Chang Hwan Lee

Guaranteed Profit Margin (GPM) is one of the chargebacks that retailers frequently employ in the fashion industry. With this stipulation, the store demands a vendor's guarantee of its target mark-up rate, even in a markdown operation. This makes the retailer order too much and later liquidate a greater amount of leftovers. We propose a new GPM scheme for supply chain coordination. Specifically, if the retailer compensates the vendor for the same fraction of the joint costs as the guaranteed mark-up rate, the retailer's quantity choice results in profit maximization for the entire supply chain. Thus, the supply chain becomes fully coordinated and provides win-win outcomes for both retailer and vendor.

4 - The Competitive Consequences of Using a Category Captain

Yusong Wang, Assistant Professor of Marketing, Singapore Management University, 50 Stamford Road, Singapore, 178899, yswang@smu.edu.sg, Jagmohan Raju, Sanjay Dhar

Many retailers use category captains for managing their product categories (often referred to as category management) because they believe category captains are able to provide services that can potentially benefit the retailer. These services include, but are not limited to, managing shelf space, enhancing the in-store environment, promotions, and pricing. In some cases, category captains play an advisory role, whereas in other cases, there is greater delegation. Some scholars and legal experts have expressed concerns about this practice because it may potentially harm competition. The primary focus of our research is to use a model based approach to investigate how various activities that a category captain may be allowed to perform affect the economic outcomes for the retailer, the category captain, and other manufacturers.

SA11

Seminar Room 3.3 (Room 3005)

Pricing IX

Chair: Neeraj Bharadwaj, Visiting Assistant Professor of Marketing, The University of Chicago Graduate School of Business, 5807 South Woodlawn Avenue, Chicago, IL, 60637, United States, neeraj.bharadwaj@chicagosgs.edu

1 - Consumer Choice of Extended Warranty and Purchase Timing for Durable Goods

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Creating a \$15 billion revenue stream every year with 50-60% average profit margin, extended service contract programs are an extremely valuable profit generating vehicles for retailers. The purchase decision of extended warranty is not a standalone decision. It's contingent on consumers' decision on product purchase. The availability of extended warranty provides an option for consumers to avoid risk associated with new product and thus may change consumers' product purchase decision. So, it's important to study how consumer makes joint decision on product purchase and extended warranty purchase. In this study, we build a dynamic model under uncertainty to explore the relationship between product purchase timing decision and extended warranty purchase decision and apply to a unique panel data containing consumer purchase histories of service contracts from an electronic retail store. In particular, we will study how the price paths and the risk of product failure of the durable goods affect the joint decision process. Our empirical findings have important implications for retailers' design and implementation of extended service contracts.

2 - Consumer Options: Theory and Empirical Application

Sridhar Balasubramanian, Associate Professor, University of North Carolina, CB# 3490 Mc Coll Building, Kenan-Flagler Business School, Chapel Hill, NC, 27599-3490, United States, balasubs@unc.edu, Barry Bayus, Preethika Suresh

Buying an option confers a right, but not an obligation, to follow through on some action. The theory of financial options has had a long and rigorous development. Likewise, considerable research exists on the concept of real options in production markets. Consumers are often faced with risky decisions - therefore options that are aimed at consumers can potentially play an important role in the marketing context. However, extant literature does not address this issue. In this research, we build a theory of consumer options as a way to help firms manage uncertainties in event markets. Specifically, we model the role of consumer options as a pricing mechanism that the stadium (firm) can

employ to sell tickets to a set of Final-Four games. The context we focus on is that of sports markets - here, *ex ante*, sports fans (consumers) have preferences for certain teams, but only have probabilistic expectations about which teams will make the Final Four. However, conforming to reality, tickets are sold before such uncertainty is resolved. We design and price options tickets for these markets. We demonstrate that options pricing is always (weakly) more profitable than the currently-employed *ex ante* pricing. We also show that, when the firm uses options, it can attain and in some cases even exceed the full information profits despite pricing before uncertainties are resolved—this constitutes our central result. Further, we empirically validate the model by ascertaining respondents' willingness to pay for different types of tickets to a National Collegiate Athletic Association (NCAA) men's basketball game. We also determine the factors that influence consumers' willingness to pay under different pricing approaches.

3 - Dynamic Pricing for Hotel Management with Multiple-Day Stays

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We consider a hotel with a single type of rooms. Customers make requests for the rental rates for a multiple-day period. Depending on the availability and rental rates of a room each customer may make a reservation or turn away. No cancellations are allowed. The rental rates can be updated from time to time. We propose a model to dynamically determine the rental rates so that the revenue is maximized. We present the optimality conditions.

4 - Pricing Strategies for Augmented Products: The Value of Integration and Customization

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The practice of selling an augmented product (the provision of supplementary services in addition to the core product) has become commonplace. As it has become widely accepted that these expanded offerings now form the basis for competitive advantage, the literature is calling for empiricists to investigate the nuances of selling holistic value propositions. In this research, we study the value of jointly pricing products and services (i.e., augmented product pricing) relative to pricing products and services separately. More specifically, we evaluate the extent to which integrating pricing strategies for products and supplementary services enables the firm to secure more profits from the customer in the future (i.e., integration). That is, how should the core product and the associated supplementary services be priced? Is it more advantageous to give away or accept lower margins on the supplementary services in order to stimulate greater demand? The answer to this question addresses the call made by Noble and Gruca (1999) to better understand how firms should set prices for multi-item offerings in an industrial context. Another aim of this manuscript is to assess the improvements in selling firm profitability from tailoring prices of products versus services to reflect customer heterogeneity in terms of price sensitivity (i.e., customization). That is, to what extent does customizing prices yield favorable financial outcomes for the selling firm? The answer to this question sheds insight into the value of engaging in micro marketing versus not adapting pricing to individual accounts (cf. Chen and Iyer 2002; Jedidi, Jagpal, and Manchanda 2003; Montgomery 1997).

■ SA12

Seminar Room 3.4 (Room 3007)

Public Policy & Marketing II

Chair: James Chen, Nanyang Technological University, 30 Jalan Isnin Singapore 577968, 577968, 30, jameschen@pmail.ntu.edu.sg

1 - Multi-Stage Decision Consistency in the Public Policy Arena: Examining Patent Office Service Quality

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In an increasing environment of stakeholder scrutiny, marketers in the arena of public policy and regulation must communicate that the decision makers for which they represent have an ability to act consistently. This is especially difficult when subjective decision making encompasses much of this regulation. For new product developers and marketing managers, the question of consistency in the area of patent granting is a pertinent one. It has received much debate outside mainstream marketing, where levels of service quality have been questioned. Much commentary has raised concerns for emerging technological areas (e.g., nanotechnology), where the nature of the information surrounding a patent's quality is inherently dynamic. We argue that consistent decision making in judging a patent's validity and systematically basing this on

its underlying technological quality are important elements of patent office service ("assessment") quality. We propose a set of hypotheses and empirical models to examine questions of consistency taking the dynamic information environment into account. The model constitutes a significant contribution to this debate by accounting for differences in random error across assessment stages. As a result, this allows a more adequate examination regarding the nature of any systematic differences. Applying the model to the area of biotechnology industry in the 1980s (an emerging patent area at this time), we find limited empirical support for a desirable level of patent assessment by the European Patent Office. We discuss research limitations and offer a more expansive debate on the inherent difficulties for organisations to balance inconsistencies in any two-stage assessment. Keywords: patent quality; consistency; heterogeneity; discrete choice models

2 - Consumers' Trust toward Food Safety Certification with Threat of Avian Influenza Outbreak

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Outbreaks of highly pathogenic H5N1 avian influenza in Asian countries and reported cases of human infections and deaths have raised public concerns. Taiwan, with neighboring countries confirmed avian influenza outbreaks, is currently free of the disease and in a situation to stay alert as well as to get prepared for the threat of outbreaks. For the food industry in Taiwan, maintaining the safety of food supply chain system is essential in increasing consumers' trust levels toward the food safety standards. Food safety certification, issued by the administrative labeling system, is particularly important to provide information of risk-free poultry products to consumers, especially under the threat of avian influenza outbreaks. However, limited attention is paid to investigate the trustworthiness of food safety certification with a possible threat of avian influenza outbreak in the literature. The objective of this study is to examine consumers' trust toward the food safety certification in Taiwan while considering a possible threat of avian influenza outbreak. A consumer survey is administered to understand consumer awareness of a possible threat of avian influenza outbreak, risk perceptions of the disease, and attitudes and trust toward the food safety certification. Stratified sampling following age and gender distributions in the latest census is applied in conducting the survey in populous cities in Taiwan. Results of this study could be beneficial to government administration as well as managers in the food industry to utilize food safety certification in a way in educating consumers and designing efficient strategic marketing communication.

3 - University Branding at the Singapore Education Hub: Relating the Effects of Marketing Communications to Public Perceptions

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As Singapore seeks to brand itself as the education hub of Asia, higher learning institutions have to aggressively seek out their respective unique selling propositions in order to differentiate themselves from the competition. Using an in-depth interview approach, administrators from the Universities within Singapore were interviewed to understand their marketing and communication approaches towards their relevant publics/stakeholders. They were also asked for their insights on the Singapore government's initiative on establishing an education hub, from the branding and communications perspective.

■ SA13

Seminar Room 3.7 (Room 3026)

Online vs. Offline

Chair: Lu Hsiao, Assistant Professor, National Chung Hsing University, 250, Kuo Kuang Rd., Taichung, 402, Taiwan,
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1 - A Model of "Search Advertising" in Oligopoly With an Application to Competitive Click Fraud

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The literature on informative advertising generally assumes that consumers are passive recipients of ads, and that ads makes consumers (weakly) better off. We consider consumers that can actively seek out firms' advertisements. We analyze a duopoly setting in which horizontally differentiated firms bid in a second-price auction for exclusive access to a "search advertising" technology. The firms may have different levels of prior brand awareness. We find that when consumers' reservation price is high relative to the transportation cost, the high-

awareness firm is willing to pay more for advertising. When the transportation cost is relatively large, the low-awareness firm pays more. We characterize the conditions under which advertisers will engage in "competitive click fraud" in equilibrium. We analyze the effects of such click fraud on advertisers' bids, total advertising budgets, gatekeeper revenues, and post-advertising prices.

2 - Going Offline: Analyzing the Entry of Internet-based Firms into the Brick and Mortar World

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The introduction of the Internet over the past decade has led to several brick and mortar firms creating online distribution channels. A number of studies have examined the adoption of the Internet channel by firms both with respect to customer types and pricing. However, the research into Internet-based firms entering the brick and mortar channel is extremely limited. Internet-based firms that choose to pursue a brick and mortar strategy may choose to work through "middle-men" franchisor companies or open stores directly. Furthermore, the types of customers who use the new physical stores may differ from the Internet customers. Finally, the presence of brick and mortar stores may result in brand spillover effects in terms of revenue and customer acquisition. We examine an Internet-based firm's entry using franchisor companies into the brick and mortar channel. In addition to developing a model to isolate brand spillover effects, we develop a model to describe the opening of stores in locations across the country. We assemble a unique dataset from an Internet auction site. The dataset includes physical store-level data as well as overall firm regional sales data. We combine the firm data with franchise store cost data to investigate offline store entry and brand spillover.

3 - Large Network Formation and the Structure of the Commercial World

Zsolt Katona, Insead, Boulevard de Constance, Fontainebleau Cedex, 77305, France, zsolt.katona@insead.edu, Miklos Sarvary

We model the commercial World Wide Web (WWW) as a network emerging as the equilibrium of a game in which utility maximizing Web sites purchase (advertising) in-links from each other, while also setting the price of these links. We consider sites to be heterogeneous in terms of their "content", i.e. their inherent value to consumers. In a world where consumers "surf" on the WWW, sites' revenues/profits originate from two sources: the sales of content (products) to consumers, and the sales of links (traffic) to other sites. We find that in equilibrium, higher content sites tend to purchase more advertising links mirroring the Dorfman-Steiner rule. Sites with higher content sell less advertising links and offer such links at higher prices. As such, there seems to be specialization across sites in terms of revenue models: high content sites tend to earn revenue from the sales of content while low content ones from the sales of traffic (advertising). In an extension, we also allow sites to establish (reference) out-links to each other beyond and find that there is a general tendency to establish reference link to sites with higher content. Overall, there is a strong positive dependence between a site's content and the number of its in-links. We also explore network formation in the presence of search engines and find that the higher the proportion of people using these, the more sites have an incentive to specialize in certain "content areas". Our results have interesting practical implications for 'search-engine optimization', the pricing of Internet advertising as well as the choice of Internet business models. They also shed light on why successful search engines (e.g. Google) can use simple heuristics based on in-links to rank sites with respect to their content.

4 - The Optimal Product Design and Channel Strategies When the Internet Consumers Have a High Valuation

Lu Hsiao, Assistant Professor, National Chung Hsing University, 250, Kuo Kuang Rd., Taichung, 402, Taiwan, hsiaolu@dragon.nchu.edu.tw, Shan-Yu Chou

The purpose of this paper is to analyze the optimal product and distribution channel strategies for imperfectly competitive firms. The emergence of the Internet provides a new form of distribution channels for firms. Also, with the prevalence of the Internet, firms may consider whether to add web attributes to their core products in order to meet the extended needs of their customers who have access to the Internet. Under a game-theoretic framework, we derive the equilibrium product and channel strategies for two competing firms. Our major findings include the following: (1) When all consumers have access to the Internet channel (assuming the cost of adding the web attribute is negligible), both firms will choose to offer the same attributes for their products and choose the pure Internet channel. (2) When the two firms produce

products with the same attributes (with or without the web attribute) at the first stage, they both will choose dual channels (the traditional and the Internet channels) at the second stage in equilibrium. (3) Even when Internet consumers have high valuation to the web attribute, under some conditions one firm, in expecting his rival will provide the web attribute, may choose to differentiate itself from its rival by giving up the web attribute and the Internet users. In contrast, the firm that adds the web attributes on its core product serves all the on-line customers through the electronic channel; furthermore, when the importance of the Internet users is not high enough, it pays him to expand into the traditional channel chosen by his rival to attract some offline users.

SA14

Seminar Room 3.8 (Room 3028)

Supply Chain: Research Issues

Chair: Chen Zhou, City University of Hong Kong, General Office, Marketing Department, City University of Hong Kong, Kowloon, Hong Kong - ROC, mkzhouch@cityu.edu.hk

1 - An Experimental Investigation of Causal Influences on Specific Investments in Exchange Relationships

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Firms are often asked to make relationship specific investments in ongoing exchange relationships. Such investments promise to enhance the productivity and performance of the relationship. However they have negligible salvage value outside the focal exchange relationship. Therefore, they may also increase the firm's vulnerability to opportunistic behavior by the partner. We identify the types of extant exchange relationships which are most suitable for specific investments as well as those where a firm should avoid making them. Much of the research on specific investments has focused on its consequences (notably ex-post opportunistic behavior and transactions costs) and the choice of governance structure. There is a relatively small body of survey research on antecedents of specific investments. We seek to complement and extend this research stream through a series of three experimental studies designed to specifically understand the causal effects of key relationship dimensions - total interdependence, relative dependence and trust - on a firm's willingness to make specific investments in its partner. By demonstrating the complementary value of experimental studies to cross-sectional surveys, we seek to contribute to current discussions on organizational survey research methodology.

2 - The Role of Information Technology in Inter-firm Relationships

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Interfirm relationships (IRs) have been a focus of research in marketing for more than two decades (Hunt 1983; McNeil 1980). This research draws from the structuration theory and proposes a conceptual model that emphasizes the role of IR agents in inter-firm interactions through Information Technology. Technology use is viewed through a practice lens and the context in which it operates and thereby incorporates the managerial discretions being exercised in technology deployment and appropriation (Orlikowski 2000). The role human agency plays in shaping IRs is elucidated by studying IR agents' cognitive sense-making during inter-firm interactions. The research context for this study is industrial service providers, using Huber and Power (1985) guidelines for key-informant based survey research. Data analysis consists of measure validation using confirmatory factor analysis (CFA) and structural equation model (SEM) estimation of path coefficients for hypothesis testing. Subsequent analysis includes response surface analysis to test a hypothesis with nonlinear effects and for graphic presentation of interaction effects. Nested models are to be compared to test the hypothesized mediation effects of Technology Enactment and agents' Cognitive sense-making. The results show that Routinization and Reflexivity of Inter-firm Activities are positively related to Sense-making, or the firm's ability to interpret relationship cues from these IT activities. If the technology is well-embedded, i.e., well integrated with inter-firm activities, it improves IT Enactment of Relational Management and Coordination. Overall, a firm's Sense-making and Manger's Enactment of Technology are key factors in inter-firm relationships.

3 - Supply Chain Alignment: Examining Buyer Preferences for Outsourced Logistics Services

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Tim Coltman

Most supply chain management research focuses on issues related to cost, delivery time, quality and efficiency; frequently ignoring the involvement of humans in the process. In this study we explore the relative importance of various supply chain components from both the customer and supplier's perspective. The goal is to reveal the decision-making trade-offs that occur when buyers select an outsourced service provider; and consequently, to examine the extent to which such service providers understand the needs of their customers. Our research approach overcomes many of the limitations seen in prior studies that rely on simple rankings by using best-worst scaling to directly identify the congruence between both the customer and the supplier's utility for different service provider attributes. The results confirm the importance of various performance-level attributes and point us towards a new set of higher order capabilities based on professionalism and proactive innovation.

4 - Formal Control, Trust and Opportunism: A Role-Theoretic Perspective

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Lan Xu

Formal Control and Trust are typical representatives of control mechanisms toward opportunism in b2b relationship management from economic and sociological perspectives. Besides studying formal control and trust separately, many studies explored the governance effect of combining formal control and trust, but came to contradictory conclusions. A body of literatures proves that formal control and trust could be applied simultaneously to mitigate opportunism, whereas some others argue these two control mechanisms actually substitute each other. According to role theory, firms' governance strategies are influenced by inherent rules of their roles within a particular relationship, hence differentiating different roles in inter-firm relationships helps determine appropriate control strategies. By identifying two roles, namely friends and businesspeople, a conceptual framework is provided to suggest a new perspective to differentiate two mechanisms of applying formal control and trust together. It is concluded that the combining effects of formal control and trust on governing opportunism depends on which scenario the focal partners stay in. This study contributes to inter-firm management issues in two aspects. First, the differences between trust in role of friends and trust in role of businesspeople are clarified. Such differences not only solidify the role distinctions between friends and businesspeople, but also help explain why literatures regarding the combining effect of trust and formal control in suppressing opportunism are contradictory. Second, by specifying scenarios in which trust and formal control are mutually exclusive and those in which these two mechanisms complement, a new perspective is offered for managers to govern inter-firm relationship.

SA15

Seminar Room 3.9 (Room 3029)

Research in IMC

Chair: Akihiro Inoue, Professor, Keio Business School,
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1 - Comparing Marketing Communication Channels

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Understanding the relative effectiveness of different channels for marketing communications has always been challenging, and is now more so with the recent emergence of the Internet and cellular phone technologies. In this study we compare 11 media channels, including the traditional channels of television, radio and mail, as well as the new digital channels of the Internet (e-mail) and cellular phones (SMS). Comparisons of the channels are made based on 14 attributes, such as disruptiveness, informativeness, trustworthiness, and entertainment value. Firstly, in a survey, we compare the channels from the perspective of both receivers and senders of marketing communications and we additionally compare them for consumer and business markets. Secondly, by means of experimentally generated scenarios, we assess the relative effectiveness of the 11 channels in eliciting responses to two typical B-to-C and two B-to-B promotion offers. We find that, although e-mail is well established and widely used, the traditional channels of television, radio, newspapers and direct mail retain their historically

favoured attributes of trust and reliability of information that make them still preferred by consumer recipients of marketing communications, even by "tech savvy" younger consumers who use e-mail and SMS extensively. Business receivers are more accepting of e-mail than are consumers but, like consumers, they are more likely to act on a marketing offer if it comes through traditional mass media or mail channels. Furthermore, business senders of marketing offers to consumers (B-to-C) and to business customers (B-to-B) are more likely to succeed if they discover and match the channel preferences of audiences rather than relying on their own mental models of channels' effectiveness.

2 - Effective Integration of Marketing and Sales: The Role of Customer Message Management

Srinath Gopalakrishna, Associate Professor, University of Missouri-Columbia, 434 Cornell Hall, Columbia, MO, 65211, United States, srinath@missouri.edu, Timothy Smith, Rabikar Chatterjee

Recent research in Integrated Marketing Communications has shown that the coordination of marketing actions can result in superior business outcomes. Specifically, the coordination of multimedia campaigns, the relative size and allocation of the budget across communication elements, the timing of those communications, and their integration with sales force activities can lead to higher profitability. We expand on these themes in two ways. First, we consider "nurturing"- an important element of lead management. Both marketing and sales play a role in this nurturing process. Second, we address, content specific message effectiveness within this process. Working with a large global chemical manufacturer, we document all firm communications targeted to prospects as well as the response of those prospects. The nature of response on each occasion signals a "readiness to buy". Thus, marketing and/or sales can assess the lead quality after every response from the prospect and decide whether to continue processing the lead or drop it from further consideration. In addition, we are planning natural field experiments to explore the impact of specific messaging content on the sales process. In response to market and regulatory pressures, our sponsor firm has devoted substantial resources to improving the environmental assessment/impact of its products and has begun including this information in its positioning strategies. We examine message content that emphasizes environmental performance of the product relative to functional performance. We model response to specific marketing communications that include the sequence and timing aspects of "nurturing". We discuss implications for efficient allocation of marketing resources.

3 - Studying Visitor Behavior at a Business Trade Show to Assess Value Creation

Srinath Gopalakrishna, Associate Professor, University of Missouri-Columbia, 434 Cornell Hall, Columbia, MO, 65211, United States, srinath@missouri.edu, Gary L. Lilien, Shrihari Sridhar

Industrial trade shows are a multi-billion dollar industry; however, research in the area is sparse. Industry statistics reveal that nearly 40% of first-time exhibitors do not return to the same show the following year and the typical exhibit reaches less than 60% of its prospects. The eventual success of a show resides largely in its ability to generate value for, and meet the goals of, three primary constituents - the attendees, the exhibitors, and the show organizers. In the context of value assessment, it is important to note that both exhibitors and attendees typically have a variety of sales and non-sales related objectives for attending the show. Successfully managing the medium requires a careful understanding of visitor intentions and their behavior on the floor of the show, where the atmosphere parallels a retail shopping mall with immense distraction opportunities. Exhibitors use several tactics to attract visitors into their booth; yet very few visitors actually turn into useful leads. We report on some unique individual-level data from a major medical show, which enables us to match pre-show intentions of attendees with their actual behavior on the floor in terms of visiting various booths. We model attendee behavior as a hierarchical sequence of steps and estimate the influence of attendee characteristics and exhibitor marketing actions on the outcome at each step. We discuss implications of our findings for exhibitors and trade show organizers.

4 - Cognitive Knowledge Construction as Effectiveness Measure of Cross-Media Marketing-Communication

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In this research we propose a "cognitive knowledge construction" as a measure of effectiveness of marketing communication in the situation where marketers can utilize various kinds of media, that is, cross media environment. First, we review the area of brand management and mention the value of the cognitive knowledge construction from the viewpoint of brand management and the close liaison with marketing communication. Second, we capture the current environment of marketing communication and show the variety of media mix that marketing managers can exploit in designing marketing-communication strategy.

We present the concept of “organic communication mix” as a key in cross media and “society” as a key driver to cultivate the value of organic communication mix. Several case studies constructed via the interviews with the marketing managers of Japanese companies are to be demonstrated. Third, we review the past studies regarding cognitive knowledge construction in the fields of consumer behavior, cognitive psychology, knowledge engineering, and so on. Fourth, we present the results of the survey, conducted for the purpose of the empirical validation of the proposed framework of cognitive knowledge construction as measure of effectiveness of marketing communication in cross media environment. We show the experimental design, the measurement of cognitive knowledge construction, and the model to confirm the framework.

■ SA16

Seminar Room 3.10 (Room 3031)

Channels and Distribution Strategy

Chair: Maggie Chuoyan Dong, The University of Hong Kong, School of Business, The University of Hong Kong, Hong Kong - ROC, cydong@business.hku.hk

1 - Impact of Channel Conflict on Channel Efficiency: Few Improvised Conceptual Models

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The primary purpose of this article is to enhance the understanding of the effect of channel conflicts on channel efficiency, which has hitherto received little attention in research on distribution channels. While channel conflict is a well researched construct, its relationship with channel efficiency has been explored only little. Moreover the moderating effect of the conflict resolution strategies on the channel conflict-efficiency relationship is largely unexplored in the channels literature. Taking a behavioral science perspective in my article, the channel conflict-efficiency relationship has been modeled for 3 different types of conflict resolution methods-problem solving, bargaining and politics for asymmetric power relationships. In each case, these conceptual models can equip the organizations while dealing with their channel partners, with the possible impacts of their adopted conflict resolution strategies, on the channel efficiency and accordingly guide them in maximizing the returns on their future channel investments.

2 - Channel Structure for Durable Products Under Extended Producer Responsibility

Sudheer Gupta, Simon Fraser University, 8888 University Drive, Burnaby, BC, V5A1S6, Canada, sudheerg@sfu.ca

As environmental concerns mount, an increasing number of durable goods fall under the umbrella of extended producer responsibility (EPR) - a set of policies designed to reduce the environmental impact of products and extend manufacturers' responsibility throughout the product's life cycle. End-of-life product take-back laws are one example of such policies. We examine the impact of EPR policies and manufacturers' investments in product design on channel structure and coordination incentives. We show how some commonly used contractual forms, such as two-part tariffs, quantity discounts, leasing, and buy-backs perform under different channel arrangements. In an extension of the model to multiple periods, we then study the optimal choice of product durability by the manufacturer and show how EPR policies and channel intermediaries affect the manufacturer's incentive to practice planned obsolescence.

3 - Channel Governance System in China: Fairness as Heuristic on Distributor Integrity and Channel Trust

Maggie Chuoyan Dong, The University of Hong Kong, School of Business, The University of Hong Kong, Hong Kong, - ROC, cydong@business.hku.hk, David K. Tse, Flora F. Gu

This paper examines how fairness operates as a salient governance system in marketing channels in China. In contrast to existing models that emphasizes power and transaction costs, the paper argues that fairness, a primary moral norm that has been known to be a pivotal heuristic in building inter-organizational relationship, is an important alternative governance model for building channel trust and commitment. In a proposed model that integrates a cross-disciplinary literature on fairness heuristic, we identify the core functions of fairness and how fairness facilitates distributor trust and commitment formation. The paper describes two firm surveys. Study 1 focuses on the complementary effects of fairness in channel trust. It employs a single supplier with multiple distributor design, in which 140 distributors were surveyed. By asking distributors how they perceive the same supplier's actions on themselves, Study 1 is a focal distributor study that aims to provide an answer to the question “WHY study fairness?” Study 2 examines (1) the

salience of fairness in affecting both focal and observing distributors; (2) how supplier moral and professional integrity mediate fairness in channel trust and commitment formation. It employs a multi-industry and multi-supplier design, with 200 distributors from four industries surveyed. In this study, we are asking “HOW fairness works?” Overall, our findings indicate that indeed, fairness is a salient trust and commitment formation heuristic that can be an effective governance system in marketing channels in China. The results also suggest that suppliers' moral and professional integrity mediate the impact of fairness on channel trust and commitment.

Saturday, 10:30 - 12:00pm (Session SB)

■ SB01

Seminar Room 2.1 (Room 2001)

Consumer Learning

Chair: Douglas Bowman, Associate Professor, Emory University, 1300 Clifton Road, Atlanta, GA, 30319, United States, Doug_Bowman@bus.emory.edu

1 - A Model of Consumer Decision Making in the Event of Product Harm Crisis

Yi Zhao, Hong Kong University of Science and Technology, Clearwater Bay, Kowloon, Hong Kong - ROC, mkzhaoyi@ust.hk, Ying Zhao, Kristiaan Helsen

This paper empirically studies consumer choice behavior in the event of product harm crisis. Product harm crisis is the worst nightmare a company could have. It distorts the favorable product perception, tarnishes a company's reputation, and destroys carefully-nurtured brand equity. In this study, we build a model of consumer decision making under uncertainty in the event of product harm crisis. We assume that consumers learn about product quality levels through past usage experience, advertising exposure, and the exposure to the product harm crisis and consumers update their quality perceptions through Bayesian rules. Apart from the traditional learning model which assumes that consumers learn about product mean quality level, we also allow consumers to learn about the precision of the information contained in usage experience, advertising exposure, and the product harm crisis exposure. The model is estimated on scanner panel data on peanut butter before, during, and after a severe product harm crisis in a city in Australia. We find that the mean product quality level, consumers' sensitivity to quality, risk and price, and consumers' perceived quality level and perceived information precision evolve before, during, and after product harm crisis. We also find that the product harm crisis has different impact across the affected brands due to the marketing strategies adopted by the different brands.

2 - Disentangling Preferences, Inertia, and Learning in Brand Choice Models

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The forces that influence a consumer in brand choice: preferences, experiences, and marketing mix have been of great interest to marketing scientists. The vast literature of scanner panel data based studies points to the existence of a substantial amount of state dependence in brand choices in frequently purchased product markets. At the same time the vast literature based on static survey based data points to consumers using multi-attribute utilities in making a choice. It is well recognized that disentangling preference heterogeneity and state dependence is critical in any attempt to accurately assess the relative impact of either construct. This points to the generic limitation of inferences based solely on scanner panel data. Using a unique dataset that contains stated preferences and actual purchase data for the same group of consumers we attempt to untangle the effects of preference heterogeneity and state dependence, and to determine the exact nature of the latter. We propose a hierarchical model in which consumers are heterogeneous in the order of the brand choice process. The proposed model is designed to encompass three different types of consumer experience based behavior: zero-order, inertia, and learning. We apply a Reversible Jump MCMC sampling scheme to sample across component processes and a Metropolis-Hastings/Gibbs step within each component process. Our results suggest that the extent of state dependence/preference heterogeneity is spuriously over/underestimated in the absence of preference information. A substantial segment of consumers who do not exhibit state dependence is uncovered and its size increases when preferences are available. Furthermore, we find that sensitivity to marketing mix variables is biased.

3 - Value of Learning and Acting Upon Customer Information

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The rapid growth of demand and supply of sophisticated data mining and analytical decision tools calls for research to understand the value of learning and how learning interacts with firm's day-to-day marketing strategies. In this paper, we consider a market in which the firm can reduce its service cost when the right product is matched with the right customer. With uncertainty on customer types, the firm can gradually learn about customer types using observed service costs realized from recent interaction as a noisy signal. Based on the most updated information, the firm makes matching and selection decisions to maximize long-term profit. Solving the closed form solution to the fully dynamic optimization problem with infinite horizon, we analytically investigate the dynamic and endogenous nature of learning process, the interaction between learning and decision making, and the evolution of profit over time. We also examine how optimal decision path, market size in steady state and evolution of profit are affected by parameters such as discount rate and the precision of information. Extending the model to a setting in which the precision of signals is proportional to the units of goods, we study how firm can endogenize the speed of learning. Our results shed lights on the value of learning and acting upon information, the time to discontinue service to a customer, the duration and amount of short-term financial losses before learning pays off, and how the firm can modify its decisions to speed up the learning process.

4 - Antecedents and Consequences of Search Patterns Across Multiple Channels in Non-Contractual Services

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We study information search behavior by consumers to support a purchase decision. We extend research that has largely focused on studying search effort (time), to also study the antecedents and consequences of what multiple information channels / information sources are used. Consumers have an increasing number of information channels / information sources available to them. Using an economic theory of search framework, our contribution is an understanding of what information channels / information sources consumers combine, considering both internet and non-internet sources. We consider different types of internet sources (e.g. vendor-provided sources, discount websites, search engines). We identify frequent search patterns and model these as a function of (1) customer characteristics (e.g. demographics, experience), (2) situational variables (e.g. purpose of the trip, location), (3) choice characteristics and context (e.g. importance of price). Different from past research that has largely focused on auto purchases, our empirical application uses data from a national survey of over 2,000 consumers who recently made a hotel purchase/reservation. We show that the information channels/ information sources used has a critical impact on search outcomes. These results have important implications for planning and scheduling promotional campaigns by service providers.

■ SB02

Seminar Room 2.2 (Room 2002)

Pharmaceutical Marketing IV

Chair: Tat Chan, Washington University in St. Louis, Campus Box 1133,
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1 - To Switch or Not to Switch: Influence of Generics on Physician Prescription Behavior

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Karsten Hansen

This paper models the influence of the introduction of a generic drug on physician prescription behavior for the patients currently taking a prescription drug treating a widely prevalent chronic disease. We study brand preferences, price sensitivities and response to marketing sales-people visits before and after the introduction of a generic drug for a leading drug in a large and important therapeutic category. We also study patterns of switching as a function of physician and patient characteristics. This would enable a manufacturer of branded pharmaceutical drugs to find out which physicians are the most likely to switch patients after the introduction of the generic drug and which physicians the sales force detailing would have a higher impact on after the introduction of the generic. This paper differs from all the existing literature in economics and marketing in that it considers the effect of introduction of the generic drug not only on the chemically equivalent brand name drug but also on the other brand name drugs which are imperfect substitutes in the therapeutic category and treat the same chronic disease condi-

tion. We examine the physician decision to switch a patient on an existing drug to another drug at a patient level. Specifically, we examine the switching of patients from other compounds in the same therapeutic category before and after the generic drug is introduced. This paper measures the change in physician price sensitivity and responsiveness to marketing before and after the introduction of the generic drug. We also examine which physicians engage in this kind of switching, and which patients are most vulnerable to it and why.

2 - Evaluating the Impact of Treatment Effectiveness and Side-effects on Prescription Decisions

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The objective of this paper is to evaluate the role of treatment effectiveness and side effects on the treatment choice of physicians. Our model is estimated from observed treatment choices and reported reasons for switching treatments. While the former helps to infer the overall evaluation of treatments in the market, the latter helps to separately identify the treatment effectiveness and side effects across treatments as well as the heterogeneity of such impacts. We develop a structural model to quantify the importance of effectiveness and side effects of a treatment. We explicitly accounts for the uncertainty among physicians and patients that comes from two sources: First, the impact of treatment of a drug may be heterogeneous across patients. Second, physicians may be uncertain about the expected effectiveness and side effects of a treatment. To reduce this uncertainty a physician relies on a variety of informational sources such as detailing and his/her own experience. Our research studies how treatment decisions are made under uncertainty and how this varies across patients and physicians. Based on the results, we can estimate the segment size of patients by treatment effectiveness and side effects for different drugs, a result useful for pharmaceutical firms in determining how to position their drugs against the others in the market that may have different treatment effectiveness and side effects.

■ SB03

Seminar Room 2.3 (Room 2004)

Conjoint II

Chair: Meng Su, Assistant Professor, Peking University, Guanghua School of Management, Marketing Department, Beijing, 100871, China,
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1 - Simultaneous Approaches for Model Selection in Latent Class Metric Conjoint Analysis

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For model selection in Bayesian latent class methodologies various approaches exist: Sequential approaches generate MCMC outputs for different class numbers. Then, subsequently, bridge or reciprocal importance sampling can be used for model likelihood estimation with respect to the different class numbers and for selecting the adequate model. Alternatively, simultaneous approaches generate MCMC outputs without a pre-specified class number. Reversible jump (Green 1995) as well as birth-and-death (Stephen 2000) methods are such approaches, where the class number is introduced as an additional model parameter. This paper discusses advantages of these approaches by adapting them to model selection in Hierarchical Bayes Latent Class Conjoint Analysis (HB/LCMCA, see, e.g. Baier, Polasek 2003, Tüchler et al. 2004). Synthetic and real data are used for comparisons.

2 - Dynamic Choice-Based Conjoint Analysis

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Bernd Skiera

Determining optimal prices for different product alternatives requires knowledge about consumers' willingness-to-pay (WTP). Although Choice-Based Conjoint (CBC) Analysis has proven to be a very valid instrument for measuring consumers' preferences for product alternatives, its ability to estimate consumers' WTP depends on the observed choice behavior. Only when consumers choose well-balanced between the available product alternatives and the no-choice option, accurate estimates can be derived. To ensure such a well-balanced choice behavior we propose the Dynamic Choice-Based Conjoint (DCBC) Analysis. In DCBC Analysis, we accomplish a well-balanced choice behavior between product alternatives and the no-choice option by developing an algorithm for the data collection that adjusts the price levels of the product alternatives in each choice set based on a consumer's choice behavior in the previous choice set. In a simulation study we analyze the feasibility and the validity of our approach to measure consumers'

WTP and compare the results to those of traditional CBC Analysis. Our results show that the proposed approach outperforms traditional CBC Analysis. Moreover, we analyze the effect of different algorithms and the number of dynamically generated choice sets on the validity of the results. Finally we demonstrate the applicability of DCBC Analysis in two large field studies with more than 2500 individuals.

3 - A Continuous Conjoint Analysis for Adoption of New Products with Evolutional Attributes

Meng Su, Assistant Professor, Peking University, Guanghua School of Management, Marketing Department, Beijing, 100871, China, sumeng@gsm.pku.edu.cn, Vithala Rao

Consumers' preferences for certain attributes of new products may change after the products are initially introduced to market. However, there exists little extant research on diffusion models at attribute level with explicit reference to the way information on product attributes evolves over time. We call such attributes "evolutional". The objective of this paper is to examine how consumers make trade-offs among the evolutional and non-evolutional attributes of new products and how the changes in consumers' preferences at the attribute-level affect new product adoption decisions. In a linear-additive multiattributed utility framework, we derive relationships between the changes of importance weights and the time-varying adoption probability of the new product. For empirical estimation, we propose a two-stage model of preference and choice; in the first stage, we investigate the dynamics in consumers' preference structure with a continuous conjoint framework, and then relate these preference changes to consumers' adoption decision in the second stage. We illustrate an application of our approach using data collected in a series of choice-based conjoint experiments and estimate individual-level partworths using Hierarchical Bayesian methods. Our results suggest that different attributes exhibit dissimilar evolutional patterns and that the heterogeneity distribution of certain partworths across respondents changes dynamically over time. Furthermore, the preference evolution of several attributes shows more significant impact on consumers' adoption decisions than other attributes. The managerial implications of our results will assist industry practitioners in predicting new product diffusion by identifying and facilitating the evolution of certain key attributes.

SB04

Seminar Room 2.4 (Room 2005)

Adoption of New Services

Chair: Jiwoong Shin, Assistant Professor, Yale University, 135 Prospect Street, New Haven, CT, 06520, United States, jiwoong.shin@yale.edu

1 - Does Timing Affect Adoption Likelihood in Consumer Evaluations of a New Service?

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The purpose of this paper is to understand better how timing may systematically influence the likelihood of adoption of a new service or product at the stage where individuals are thinking about the new service or product for possible adoption. Insights into possible temporal influences are provided by theoretical perspectives including construal level theory, which are developed in this study into hypotheses that are subsequently tested empirically in the context of a new service being evaluated for possible adoption. Support is provided for systematic temporal influences. The theoretical implications of the findings of the current research significantly extend the reach of construal level theory to the evaluation of new services for possible adoption through each of the supported hypotheses. These results have important managerial implications as well in that they are important to marketing strategists who analyse consumer behaviour in an attempt to understand how intentions and attitudes link to behaviour and purchase actions. Understanding the factors that influence adoption likelihood for a new service (or product) can help marketers decide on the timing of conducting effective market research studies and whether they may resort to time-based advertising strategies. It can also enhance an understanding of the adoption decision making behaviour of consumers when launching novelty products or services at different points in time.

2 - Do Early Adopters Use More? The Influence of Adoption Timing on Postadoption Usage of a New Service

Remco Prins, doctoral candidate, Erasmus University Rotterdam, Office H9-09, P.O. Box 1738, Rotterdam, 3000 DR, Netherlands, prins@few.eur.nl, Philip Hans Franses, Peter C. Verhoef

When introducing an innovation to the market, companies have often spent millions of dollars on research and development or technological infrastructure, and the mere trial of the new product by many consumers will not be enough to earn back this investment. Likewise, serv-

ice providers need a substantial base of regular users of a new service to make it profitable, especially if the provider can charge an additional fee per unit for service usage, as is the case with for example telecommunication services. The real profit from such services comes from usage after adoption, rather than from the adoption itself. Still, many service providers predominantly aim at attracting as many adopters as possible for their new service. In practice, this does not always work out and the service provider could end up with a large group of adopters, most of which hardly use the new service, even though many of them may have started off with high usage levels. Apparently, the innovativeness of early adopters that made them adopt the new service relatively early is by no means a guarantee for sustained postadoption usage. To determine the effect of adoption timing on postadoption usage, the authors model the individual usage of a new consumer telecommunication service over time, during the first 12 months after adoption, using a sample of 5400 adopters, and correcting for endogeneity of adoption timing. They show that adoption timing has a significant effect on postadoption usage, not only on initial usage levels, but also on changes in usage levels over time. Results indicate that early adopters use less than later adopters in the first months after adoption, but will have higher usage levels in the long run.

3 - Getting to Yes: Retail Adoption Criteria for New Product Introductions

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Much research within the academic literature is focused on the adoption and diffusion process of new products by consumers. However, before a consumer can adopt a product it should be adopted by a retailer. Much less is known on the adoption process of product introductions by retailers although some papers have been published on this topic (Rao and McLaughlin (1989), White, Troy and Gerlich (2000) and Kaufman, Jayachandran and Rose (2006)). In our study we develop and test a model to explain adoption decisions (accept or reject) of retail buyers towards new product offerings of manufacturers. It seems that retailer and category related variables as well as launch related variables are most significant in explaining retail adoption decisions.

4 - Marketing Strategies for Product With Cross-Network Externalities

Jiwoong Shin, Assistant Professor, Yale University, 135 Prospect Street, New Haven, CT, 06520, United States, jiwoong.shin@yale.edu, Subrata Sen, Ramesh Arjunji, Steven Strauss

Most firms produce more than one product or service, some of which "interact" with each other. This paper discusses marketing strategies for a manufacturer of a composite product. Using a parsimonious model, we characterize solutions for a monopolist and for variations on Bertrand competition with differentiated products. In particular, we found that under certain conditions, indirect effect of network externality (increasing competition) could dominates the direct effect of network externality (increasing profits) as all firms strive to increase the cross-market externality related to their products. Hence, a worse industry-wide solution results arise. In other words, the existence of firm-specific cross-market network externalities in Bertrand competition creates a form of "prisoner's dilemma".

SB05

Seminar Room 2.5 (Room 2012)

Adoption of New High-Tech - Products and Services

Chair: Saji K.B., Associate Professor (Marketing), Indian Institute of Management Lucknow, Prabandh Nagar, Off Sitapur Road, Lucknow, UP, 226013, India, saji_nair@iiml.ac.in

1 - Technology-based Service in Taiwan Retailing Context: A Study of Consumers Adoption

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Recent technological advances have lead to a surge in technology-based self service delivery options. In using self-service technologies (SST), companies hope to improve service quality and achieve higher efficiency and productivity in the service delivery process. However, since the development of SST is primarily technology-driven and promoted by the service provider, the question remains to what extent consumers are willing to use SST. This study focuses on the employment of kiosks in a retail context. We will advance theories on consumer motivation and behavior related to the usage of kiosks. The theoretical framework will draw on classic technology acceptance models, as well as literature on

technology-based self-service, to compile a list of attributes that shape consumer attitude towards SST. We will use a combined quantitative and qualitative approach to establish a model that incorporates individual and situational traits to explain consumer attitude towards SST and the actual usage. The findings will yield important implications for retail practitioners in terms of a) knowing what technology aspects consumers appreciate and thus what technology dimensions to focus on, b) recognizing the necessity to develop a differentiated marketing approach to meet the technology requirements of different customer segments, and c) controlling for a favorable store environment that supports customer intention to employ the self-service-technology. With the retail sector in many countries approaching market saturation point, the introduction of self-service-technologies is seen as a tool to gain competitive edge. This research will therefore contribute the strengthening of domestic retail industry.

2 - Drivers of Adoption for Successive Generations of High Tech Products

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Paul Steffens, Sönke Albers

To understand the diffusion of high technology products such as PCs, digital cameras and DVD players it is necessary to consider the dynamics of successive generations of technology. From the consumer's perspective, these technology changes may manifest themselves as either a new generation product substituting for the old, for instance digital cameras substituting for film-based cameras, or as multiple generations of a single product, for example PCs. To date, research has been confined to aggregate-level sales models. These models consider the demand relationship between one generation of a product and a successor generation. However, they do not give insights into the disaggregate-level decisions by individual households - whether to adopt the newer generation, and if so, when. To the best of our knowledge, this is the first large-scale empirical investigation of the drivers of a household's adoption timing for products representing a new generation of technology. We conduct a survey of 8,077 households concerning their adoption of two new generation products: notebooks as a technology change to PCs, and DVD players as a technology shift from VCRs. Employing a parametric hazard modelling approach, we identify three categories of factors that influence the timing of the household's adoption of a new technology, (i) experiences with the displaced technology - such as ownership, adoption timing, current product's age and level of usage, (ii) consumer innovativeness, and (iii) household demographics such as income and age of primary decision maker. Understanding the reasons for variations in individual households' adoption decisions will allow durable goods marketers to better segment the market, and to target potential consumers at the right time.

3 - Superstars in System Sales: The Effects of Video Game Releases on Console Sales

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We study the effect of superstar releases (i.e., software titles that are very popular and of high quality) on hardware unit sales, in a systems market, the U.S. home video game market. Prior literature states that hardware sales largely depend on the availability of the software in systems markets, but has almost exclusively focused on the effect of software quantity (i.e., the total number of software titles available to consumers) on hardware sales, while ignoring the releases of superstar software (e.g. in video games, Grand Theft Auto or Super Mario). In the context of the video game console market, we show that superstar releases have a positive effect on hardware sales, over and above the effects of other hardware and software attributes of video game consoles. The positive effect of a superstar release on hardware unit sales lasts for about 5 months, and increases hardware unit sales with about 136,000 units in the U.S. alone. Original superstars have a larger effect compared to superstar sequels. Platform, first-person shooter, and sports superstars have larger effects on hardware unit sales, as compared to other genres. Interestingly, we also find that the software quantity effect on hardware unit sales is robust to the inclusion of superstar releases. Thus, the omission of the superstar phenomenon does not hurt the conclusions from past literature on the relationship between software quantity and hardware sales, even though its inclusion leads to additional insights in these markets. These findings have important implications for practice.

4 - Investigating the Role of Operational Variables in B2B m-Payment Technology Adoption Process

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It is a matter-of-fact that for the fledgling telecom industry to surge ahead in the world, a wide range of possible technology-driven transaction types and payment scenarios must be readily adopted and enabled. It is discernible here that for mobile telecom transactions to successfully take place, the interaction of the consumers and content/service providers via an Electronic Payment Service Provider must be facilitated and insured by the businesses. Although a wide range of potential technologies are available that could facilitate the mobile payment (m-Payment) processes, the industry practitioners found it extremely difficult to get their specific technologies accepted at their customers' end, which in turn points out the presence of a number of critical operational variables that control the m-Payment technology adoption process in the Business-to-Business (B2B) setting. This is the research context chosen by the author for serious investigation. Although the notion of technology adoption in the B2B setting has caught the attention of many researchers around the globe, hardly few researches have investigated the operational issues inherent in the m-Payment Technology Adoption Process. To fill this critical research gap, it has been decided to explore the process of m-Payment technology adoption in the context of B2B m-Commerce. With this perspective in mind, the two specific research objectives have been set, viz. (i) by resorting to a case study method, to explore the operational variables that influence the m-Payment technology adoption process in the B2B setting; and (ii) to develop a conceptual framework for the B2B m-Payment technology adoption process. The present paper reports the preliminary outcomes of this ongoing research.

SB06

Seminar Room 2.6 (Room 2013)

Price Promotion IV

Chair: Sergio Meza, University of Toronto, 105 St George St, Toronto, ON, Canada, sergio.meza@rotman.utoronto.ca

1 - Manufacturer vs Retailer: A Study of Promotional Benefits

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The effect of promotions on brand choice and category purchase has received extensive attention in the marketing literature. Promotions have different roles to play from the point of view of manufacturers and retailers. While manufacturers seek to maximize their profits through increased sales, retailers will also benefit from increases in traffic, basket size or trip frequency. In such circumstances, who really benefits from the promotion and is it really worth it to the manufacturer, particularly when you consider the typical post promotion sales slump that is often seen in such categories? Using an integrated model for purchase behavior, we evaluate the impact of promotions on profitability measures and address issues such as financial implications for category expansion or purchase feedback effect. A policy simulation exercise serves to determine the impact of the various parameters on retailer and manufacturer profits. Partial results show that not only do the various measures impact manufacturers and retailers differentially, this impact is category specific. This gives rise to some very significant implications for category managers as to how promotions in the different categories should be handled. We thus contribute to the literature by using household transaction data as our unit of analysis, thereby allowing us to introduce heterogeneity among consumers, as well as by comparing retailer and manufacturer profits in the same simulation framework.

2 - An Empirical Analysis of Equivalent Rebate Programs

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Sales promotion is a powerful device to entice customers to accelerate their durable good purchase. A common type of promotion is to provide some form of cash to the customers. This cash amount can be implemented as cash rebate on the product bought or gift card to buy other products. Also, this cash can be given instantly or must be claimed through a mail-in process. We analyse whether these cash equivalent incentives generate the same kind of customer response. We devel-

op an econometric model and estimate it with a proprietary data set from Hewlett-Packard. The estimation results suggest that consumers do not treat these cash equivalent incentives the same way. Customers strongly prefer instant cash rebate to other incentives. Given that mail-in incentives are not always redeemed, we develop a method to determine whether which form of incentive is the most profitable.

3 - Sales Promotions in Econometric Models Revisited

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Sales promotions are very important in today's market. They drive the sales of an important proportion of goods sold in our economy. Also, sales promotions represent the number one expenditure in the marketing budget of many companies. Still the appropriate econometric treatment of sales promotion has been largely ignored in the Marketing literature. Since sales promotions typically consist of a discount in the regular prices accompanied by some communication effort, the naïve model typically includes just a dummy variable during the duration of the sales promotion. This dummy variable is expected to account for the effect of the communication effort. While the change in price is assumed to be already captured by the pricing variable of the standard model. This model however suffers from some basic inconsistencies. A positive parameter estimated for the sales promotion dummy, would imply, as expected, major utility for the consumers but would prescribe retailers and manufacturers to increase prices. A negative parameter, on the other hand, would prescribe the correct reduction in prices but would imply profit destruction for the promoted brand. In the paper, we first revise the potential bias introduced by traditional models of promotion. Next we analyze theoretical models to correct such discrepancies. Then we apply the model to an empirical application. The endogeneity problem that has been typically analyzed for the pricing variable is revisited for the sales promotion effect. Advantages and the correction of the bias observed in traditional models are finally discussed.

SB07

Seminar Room 2.7 (Room 2014)

Topics in e-Marketing

Chair: Kerstin Reimer, Christian-Albrechts-University at Kiel, Olshausenstraße 40, Department of Innovation, Kiel, 24098, Germany, reimer@bwl.uni-kiel.de

1 - Customers' Trust to Virtual Organisation in Medical Sectors

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In the article author wants to introduce medical sector which is using Internet as tool for creating virtual organisation and providing services for customers. New possibilities are used for creation of Internet-based signal analysis, decision support and marketing activities as well as virtual organisations. Customers have easy access to e-services and virtual organisations nowadays. The purposes of this study are: characteristic of development of the Web-based organisation providing medical services and identification e-health services customers' trust level to virtual organisations. First goal will be reached by secondary research based on case studies of CEE Countries, and the second one by depth interview on probability sample of individual clients of medical institutions. Author is going to identify conditions and determinants influencing on customers' trust level to virtual organisation on selected market. It will be also very important to compare customers' trust level to virtual organisation with trust level to traditional ones. Author advances hypothesis that customers' trust level to virtual organisation on services sector in CEE countries is high. Although customers' trust level to traditional organisation is much higher as a result of higher customers' satisfaction level to traditional way of providing services, low market education of customers and less developed market in CEE countries. Lower level of customers' trust to virtual organisation is demonstrated through rare frequency of using services through virtual channels. This is classical double jeopardy effect on services market according to attitudes as well as behaviours. Author advances that these phenomenon is typical on services market in developed countries.

2 - Learning Online Produce Quality

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One major difference in online grocery shopping is that, due to the nature of the Internet, shoppers' experience with products is limited in an online setting. This translates into greater perceived risk regarding product quality for some categories. Produce and other perishable items such as milk, meat etc. are some of the categories where consumers are likely to perceive different levels of risks and quality expectations in

online vs. offline shopping. That is because aforementioned products tend to vary in quality (e.g. ripeness of produce, freshness of meat) This research tries to understand if consumers i) have lower quality expectations about online produce ii) have higher perceived quality risk iii) eventually learn about the true online produce quality, and eliminate the perceived risk, and iv) change the likelihood of purchasing online produce. I address the above issues by using a framework that accounts for consumer experience and derives learning from its behavioral antecedents. The learning model explicitly accounts for information asymmetries between the two channels. The preliminary results where consumer heterogeneity is not modeled, reveal that offline produce is considered to be higher quality, inherent quality variation has a bigger impact on produce purchase decision than the risk introduced by grocery store agents selecting the produce, and, all else equal, consumers are more likely to shop offline. Finally, customer's expectations about produce quality, which is a function of past experience with produce, is one of the drivers of channel choice

3 - Search Costs, Demand Structure and Long Tail in Electronic Markets

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While it is well known that the Internet has reduced consumers' search costs online, relatively little is understood about how the presence of search costs affects consumer demand structure in online markets. In this paper, we identify the impact of search costs on market structure by exploring a unique insight from economic theory that search costs can create a kink in aggregate demand when firms change prices. Using a dataset collected from Amazon.com and BarnesandNoble.com, we indeed find significant kinks in aggregate demand function around price change points. Moreover, the kinks have opposite directions on Amazon.com and BarnesandNoble.com, indicating search costs vary significantly across the two major online retailers. On Amazon.com, price elasticity after a price reduction is higher than price elasticity after a price increase, suggesting consumers have low search costs for price information on Amazon. On the other hand, price elasticity after a price reduction is lower than that after a price increase on BarnesandNoble.com, suggesting consumers have high search costs for price information on BarnesandNoble.com. We also find that price elasticity gradually increases after price reductions, indicating search costs decrease with the passage of time as the information about price changes dissipates among consumers. Further, we show that search costs are lower for popular books compared to rare and unpopular books. These findings have significant implications for retailers' price strategies. They also broaden our understanding of the Long Tail phenomenon.

4 - Forecasting Customer Purchasing Behavior at an Online Media Service Provider

Kerstin Reimer, Christian-Albrechts-University at Kiel, Olshausenstraße 40, Department of Innovation, Kiel, 24098, Germany, reimer@bwl.uni-kiel.de, Sönke Albers

Analyzing and predicting customer purchasing behavior has become an important issue in marketing science. Research in this area has produced a number of purchase forecasting models with high predictive validity. However, while these models have widely been applied to customers of various firms selling physical products, purchase behavior of digital products like media downloads has been neglected so far. Therefore, our study investigates the characteristics of purchasing behavior at a large music download service in order to develop an appropriate purchase forecasting model. Our dataset includes more than a million customers and contains detailed information on transactions, demographics, product information and marketing activities. We find that well-known purchase forecasting models such as count data or probability models like the BG-NBD-Model by Fader/Hardie/Lee (2005) are not applicable since they cannot explain the extremely irregular purchasing behavior and the strong response on marketing campaigns or new releases. Thus, we present a Tobit panel model with two key properties. First, it explicitly captures the heterogeneity in purchase behavior and analyzes the response on marketing activities as well as the drivers of purchases. Second, it simultaneously predicts the customer's activity level and the individual revenue. This is another advantage compared to probability models which do not forecast monetary values. By using individual level estimation procedures this new model is well suitable for predicting irregular and heterogeneous customer behavior in non-contractual settings, especially in connection with micro payments. Moreover, it serves as a tool for supporting marketing management decisions.

■ SB08

Seminar Room 2.8 (Room 2015)

Channels and Network Effects

Chair: Zhigang Shou, City University of Hong Kong, Gernal Office, Marketing Department, City University of Hong Kong, Kowloon, Hong Kong, mkshou@cityu.edu.hk

1 - An Empirical Study of Dealer's Marketing Mix Acquisition in a Distribution Channel

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This research uses relational and structural network theory to study the relationship between dealers and a manufacturer. Relational network theory suggests that a strong relationship with suppliers can provide dealers with necessary resources for profit making. However, structural network theory suggests that dealers should keep an appropriate distance from suppliers, such that they get the necessary resources for a profit but will not be entrenched by a single supplier for resources. Based on the relational network theory, we propose a structural equation model of the relationship between manufacturer and dealers. The model starts from key relationship marketing variables, which in turn determine the dealers' satisfaction level with manufacturer's product quality, promotion gift quality, logistics, and pricing management in different regions. These marketing mix variables, in turn, influence the dealer's financial performance. To test the propositions in structural network theory we estimate an econometric model, which studies the relationship between dealers' financial performance, and manufacturer's marketing mix variables and both psychological and physical distance between the manufacturer and the dealer. We estimated our models on survey data obtained from 376 Chinese beer dealerships. Results confirm that manufacturer and dealer relationship variables do influence dealers' satisfaction level with manufacturer's marketing mix variables and dealer's profit. However, we found that the psychological and physical distances between manufacturer and dealers exhibit different nonlinear influences on the relationship between the satisfaction level of manufacturer's marketing mix variables and dealers' financial performance.

2 - Network Embeddedness of Dyadic Channel Relationships, TIO and the Impact on Relationship Quality

Ramendra Singh, Doctoral Student (Marketing), Indian Institute of Management, Vastrapur, Ahmedabad, 380015, India, ramendra_singh@yahoo.com

The Study empirically tests the impact of the embeddedness of dyadic relationship in business network of firms, on relationship quality (trust, commitment and satisfaction of dyad members), and the moderating role of Tertius Lungen Orientation (TIO). Such study has not been carried out in the past, and is important from the perspective of understanding dyadic relationships in the context of network embeddedness and its outcome on the quality of relationship, specially in the context of emerging economy paradigm. The sample consists of sales and marketing middle level managers working in Indian and MNC firms based in India. The study tests the following hypotheses: H1a: Higher connectedness of Supplier Firm with other firms is likely to lead to higher relationship trust in the focal relationship. H1b: Higher connectedness of Supplier Firm with other firms is likely to lead to higher relationship commitment in the focal relationship. H1c: Higher connectedness of Supplier Firm with other firms is likely to lead to higher relationship satisfaction in the focal relationship. H2a: Higher connectedness of Customer Firm with other firms is likely to lead to higher relationship trust in the focal relationship. H2b: Higher connectedness of Customer Firm with other firms is likely to lead to higher relationship commitment in the focal relationship. H2c: Higher connectedness of Customer Firm with other firms is likely to lead to higher relationship satisfaction in the focal relationship. H3: Higher TIO orientation in Supplier Firm (boundary personnel) is likely to lead to strengthen the above relationship in terms of a) Higher trust b) Higher commitment c) Higher satisfaction.

3 - Trust-Based Governance Mechanism in Social Network: Impact of Relational and Structural Embeddedness

Zhigang Shou, City University of Hong Kong, Gernal Office, Marketing Department, City University of Hong Kong, Kowloon, Hong Kong, mkshou@cityu.edu.hk, Chenting Su, Chen Zhou

Over the past decades many scholars emphasize the role of trust in transaction governance mechanism, but there exist different opinions on the relationship between trust and opportunism. Earlier studies generally consider trust to be effective in suppressing opportunism, while recent studies argue that trust could sometimes promote opportunism. This study introduces monitoring as a mediator, thereby explains how

dyadic trust promote opportunism from perspectives of overtrust and behavioral monitoring. Business activity is embedded in social networks. Previous literatures discuss the relationship between trust and opportunism mostly in dyadic firms, while this research is going to investigate trust-opportunism relationship within business networks. By borrowing the concept of quadratic trust, we analyze the operational principle of governance mechanism based on trust, in the context of social network. As two important dimensions in the study of social network, relational embeddedness and structural embeddedness influence dyadic trust and quadratic trust respectively. Some scholars argue that strong tie is redundant in a dense network. Lying on analyses of trust mentioned above, we study the interactive effect between relational embeddedness and structural embeddedness, and then argue that the coexistence of dense network and strong tie effectively constrain opportunism.

■ SB09

Seminar Room 3.1 (Room 3001)

Market Structure Analysis

Chair: Joseph Johnson, Asst. Professor, University of Miami, 501 Kosar Epstein Building, Coral Gables, FL, 33186, United States, jjohnson@miami.edu

1 - Measuring Product Differentiation in Spatial Markets

Vera Magin, Junior Researcher & Marketing Consultant, University of Mainz, Jakob Welder-Weg 9, Mainz, D, 55099, Germany, magin@marketing-science.de, Oliver Heil

A market's product differentiation (PD) is reflective of the similarity or dissimilarity of products marketed. If PD takes place along spatial dimensions, e.g., geographical dimensions or product characteristics, the degree of PD results from products' spatial locations. Existing research indicates that a generally valid equilibrium of PD does not exist. Therefore, an important task consists in investigating the actual degree of PD of a market, in addition to showing what would be optimal or at equilibrium in the long run. Assessing the degree of PD can prove complex, especially when the number of dimensions along which products are differentiated is large. The substitutability of products appears to be an appropriate measure of PD. However, its operationalization in a spatial market context is not straightforward (e.g., Lancaster 1975). We aim to develop a measure of PD that enables comparisons over time and across industries. Starting from a Hotelling/Lancaster-type market, we investigate a number of avenues to assess the degree of PD in a multidimensional characteristics space. For reasons of parsimonious modelling, we compare basic and intuitively appealing product locations in spatial markets in terms of their degree of PD. Interestingly, we are able to show that popular distance measurement functions such as the sum of Euclidean distances or the sum of City Block distances contradict basic notions of PD. Next, we aim to develop a measure of the degree of PD. The measure should permit to assess the actual PD in a given market and compare its level of PD across time and industries. We discuss the potential of Weitzman's diversity measure (Weitzman 1992) and spatial pattern analysis to validly measure PD.

2 - An Empirical Examination of the "Rule of Three"

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Jagdish Sheth and Rajendra Sisodia published their critically acclaimed book *The Rule of Three: Surviving and Thriving in Competitive Markets* (Free Press) in 2002. The work has profound corporate, marketing, and investment strategy implications including the following: 1. Minus regulatory restraints or anti-competitive practices, any given industry will converge towards an optimal structure where there are three main players (the big three generalists) between 10-40% market share. The industry will perform sub-optimally until the Rule of Three structure emerges. Growth and M&A activities need to be planned accordingly; 2. The product/market specialists and super-nichers (all tend to have less than 5% market share) will have high ROAs but negative returns to scale; 3. The three generalists have above average ROAs but diminishing returns to scale; 4. Both specialists and generalists outperform those firms in the ditch (5-10% market share range). The Rule of Three has been publicized in practitioner oriented publications such as the Wall Street Journal and the Harvard Business Review, however the hypotheses underlying the theory have not been systematically laid out nor have they been empirically tested to date. In this exploratory study, we propose to state these hypotheses at macro and micro level, and empirically examine the validity of the Rule of Three theory. It is important to note that the Rule of Three is at odds with the heavily debated neo-classical market share-performance relationship. Findings could provide interesting insights for the future of this debate.

3 - Breaking the Tyranny of Time: A Brand Switching Model for All Seasons

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Managers introducing new brands and trying out different marketing campaigns often need to evaluate brand switching patterns to decide which brands to support or prune. At the same time, these actions of firms often induce changes in consumers' preferences resulting in irregularities and breaks in product interpurchase times. The acceleration and subsequent deceleration of purchases in response to a promotional schedule is one example of such irregularities. The sudden take-off of new products and entry of new customers with no previous history are examples of discontinuities. Moreover, it is possible that while one brand may be experiencing unstable purchase patterns, other brands may be unaffected. Further some customers, such as deal seekers, may be more prone to instability than others. These factors complicate brand evaluations even further. How can non-stationary time trends, discontinuities and cross-sectional heterogeneity in switching patterns be captured in a single parsimonious model? How can we monitor the effectiveness of marketing variables over such periods of structural shifts in preferences and purchase behavior? How can one identify the "best" customers from the standpoints of a particular brand, as well as the entire product category? As the traditional approach to modeling brand switching behavior i.e. combining the transition matrix of brand switches with the matrix of interpurchase times, is unsuitable under such conditions, we propose an alternative brand switching model, based on a counting process, to address the above questions.

■ SB10

Seminar Room 3.2 (Room 3003)

International Retailing

Chair: James Stanworth, Dr., National Changhua University of Education, No. 2, Shi Da Road, Changhua, Taiwan,
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1 - Customer-Store Identification: A Model of Antecedents and Consequences

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Establishing meaningful customer relationships has long been a focal concern for retailers. Extant literature has mainly focused on the trust-commitment paradigm to understand customer relationship. Recently, new perspectives have been proposed. For example, drawing on theories of social identity and organisational identification, customer's identification with focal company has been proposed as a key predictor of customer relationship and loyalty. However few empirical studies have been undertaken to test this construct in marketing. In this study, we propose a concept of customer-store identification and test its antecedents and consequences in the Chinese retailing context. Customer-perceived retail service quality dimensions (physical aspects, reliability, personal interaction, problem solving, and policy) and customer-store image-fit are treated as antecedents to customer-store identification. The consequences of customer-store identification are customer loyalty, word-of-mouth, and relationship commitment. Survey data from Chinese retail customers (n=320) are used to test hypotheses with structural equation modelling. Image fit and two aspects of service quality (physical aspects and policy) are found to significantly influence identification, which in turn positively influences loyalty, word of mouth, and relationship commitment. We contribute to the literature by confirming the mediating role of customer-store identification in relationship retailing. This new identification-based paradigm of relationship retailing is also found to particularly meaningful in collectivist cultures.

2 - The Role of Ethnic Accommodation Actions in Ethnic Consumers' Choice of Retail Outlet

Yan Huang, Doctoral Student, Monash University, Department of Marketing, PO Box 197, Caulfield East, VI, 3145, Australia,
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With the growing size and increasing purchase power of ethnic consumers, their behavior is attracting growing research interest. Most of the research in this area has focused on studying aspects of their product consumption. In contrast, little is known about their choice of retail outlet. As one step to filling the gap, this study investigates Chinese Australian consumers' choice of travel agents. A conceptual model was developed building on institutional theory and accommodation theory. The model was tested through an online survey. An email panel was used to recruit the respondents. A total of 483 usable responses were achieved. Multiple regression analysis results indicate that in addition to performance attributes such as price, location, and service, ethnic related attributes (e.g. offering ethnic language, hiring ethnic staff, support-

ing ethnic community, and providing services customized to ethnic consumer needs) also determines the attractiveness of a travel agent. The results also establish the mediating roles of perceived performative legitimation, perceived sensitivity to ethnic culture, and felt sense of belonging.

3 - Differentiation Through Service: The Chinese Customer Perspective

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Clyde Warden, Chi-Tsun Huang

Rapid increases in disposable incomes lead to the rapid growth and development of the hypermarket sector in Taiwan in the 1980s. Some retailers have elected not to attempt entry (e.g., Walmart), others have attempted and continue to operate (e.g., Carrefour), whilst others have entered and subsequently exited (e.g., Tesco). At the same time indigenous hypermarkets have also developed (e.g., RT-Mart). There are marked differences in the offerings between the foreign and indigenous hypermarkets, particularly in their focus on service. As this sector has matured and brought increased competition, then firms can be expected to focus on service quality to achieve a long term differentiated position. However there have been comparably few studies exploring Chinese customers' perceptions of service quality and its influence on referral intention. This study surveyed customers of three hypermarkets (including a UK owned, a joint venture and an indigenous retailer). The findings showed that the foreign owned store had the highest level of perceived satisfaction. However the referral intention was not significantly higher than the locally developed indigenous store that had markedly less levels of perceived satisfaction. These findings were surprising given the intense focus on service by the foreign store. However as a late comer in a rapidly maturing market, this store could not struggle for long enough to survive. Potential explanations are offered that centre on Chinese customers' preferences that the local store seemed better able to match. This suggests important insights for foreign owned retailers who intend to differentiate through service based on a home-country model.

■ SB11

Seminar Room 3.3 (Room 3005)

Services Marketing I

Chair: Catja Prykop, Waffenplatzstrasse 70, Zürich, 8002, Switzerland,
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1 - Dynamic Model of Service Quality and Customer Satisfaction

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Tommi Rasila

Several models for service quality and satisfaction exist, but the models combining the two are scarce. This is a serious problem as the constructs are closely intertwined and their separateness and relationship is not fully understood. Another problem with existing models is that most of them do not take into account the long-term nature of many customer relationships. In a long-term relationship it is not enough to understand the individual service encounters. It is important to understand the long-term dynamics of service quality formation and customer satisfaction. Quality perceptions and satisfaction evolve over time and this is a mechanism, which should be understood better. This paper tackles the challenge and presents a model for service quality and customer satisfaction that takes into account these two sets of problems. This is done by combining understanding from three separate streams of research - service quality, relationship quality and customer satisfaction - to construct a coherent model of customer perceived quality and satisfaction that combines the three approaches. The model is entirely theoretical in nature and it presents a new combination of existing knowledge. The purpose of this paper is three-fold. First, the aim is to increase the understanding of the relationship between customer satisfaction and customer perceived quality. Second aim is to bring dynamism into quality and satisfaction models so that the long-term nature of the constructs could be better understood. Finally, third aim is to present a model that enables a holistic understanding of the dynamic nature of customer satisfaction and quality perceptions.

2 - An Exploration of Dimensions of Thai Consumer's Trust in Banking Service Providers

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"Trust" refers to consumer's willingness to rely on the service provider because of the consumer's confidence in reliability and integrity of the service provider. The delimitation of this research is in business-to-consumer and in the context of Asian countries. This article's objectives are

to develop and investigate consumer's trust measurement scale. The data collection used self-administered questionnaires to survey from 400 Thai consumers in banking service sector. Forty-eight percent of respondents are male while 51.5% are female in proportionate of Thailand's population structure. Exploratory factor analysis (EFA) with principal factor procedure was employed to seek the number of factors in SERVTRUST scale. The items which have loading number less than 0.30 were eliminated and cross-loading items were also deleted based on the Fisher's Z test of the correlations. The result of exploratory factor analysis shows that SERVTRUST of Thai consumers in banking service sector consist of 13 factors. However, only 12 factors are useable: benevolence, timeliness, integrity, experience, credibility, confidentiality, power, reputation, friendship, information sharing, expertise, and reliability. Each dimension has cronbach's alpha or reliability more than 0.70, the total reliability as well. For total score of each component, the correlations range from 0.575 to 0.820. Taken together, the evidence supports the preliminary conclusion about the existence of the construct validity. Benevolence is the foremost factor for building trust of Thai consumers toward banking service providers. Further research should focus on the assessment of the scale's conformity and the generalization of the scale.

3 - The Role of the Employee in Securing Customer Satisfaction: A Dyadic Multi-Level Study

Catja Prykop, Waffenplatzstrasse 70, Zürich, 8002, Switzerland, catja.prykop@alumni.unisg.ch, Heiner Evanschitzky

Employee attitudes and aptitudes play a key role in the service delivery process and influence customer satisfaction and sales success. However, earlier studies investigating the connection between attitudes/aptitudes and customer satisfaction typically use data from a single source: employees report their satisfaction and judge their customers' satisfaction. To overcome the methodological biases inherent in single source data, dyadic data is an accepted solution. However, dyadic studies either aggregate data at employee-level (variation within the customer-base served by a particular employee is neglected) or disaggregate data at customer-level (denying dependencies between observations leading to overestimating significance). We aim at studying drivers of customer satisfaction. In particular the link between employee satisfaction and customer satisfaction in a B-to-B setting in the financial service sector is analyzed against a matched sample of 188 customers and 18 employees. The two data-sources are "nested": customer data is nested in employee data and we can match each customer to one particular employee with whom he is in direct contact. In order to estimate parameters in a two-level model, we use hierarchical linear modeling. We test the direct impact of service quality (SQ), product quality (PQ), and price (PR) on customer satisfaction (CSAT). Moreover, we assess the level-2 impact of adaptive selling (ADAPTS) and employee satisfaction (ESAT) on CSAT. We also assess the impact of seven important employee characteristic and control for employee's age and tenure. Results indicate that all level-1 drivers are significant antecedents of CSAT. Interestingly, results show that ADAPTS and ESAT have a significant impact on CSAT, while only "dominance" influences CSAT.

SB12

Seminar Room 3.4 (Room 3007)

Advertising: Model Based Approach

Chair: Wanshan Zhu, Assistant Professor, Singapore Management University, 50 Stamford Road #04-01, Singapore, 178899, adamzhu@smu.edu.sg

1 - TV Commercial Avoidance: Branding, Pacing and Attention

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This paper investigates the effects of brand pacing on consumers tendencies to continue watching commercials. We develop a conceptual model of brand pacing and attention effects on the likelihood of zapping, formalize it in a Generalized Dynamic Linear Model (gDLM) using a State Space approach, and estimate it in a Bayesian framework using MCMC. We account for individual-specific and commercial-specific heterogeneity using a Hierarchical Bayes structure, while time-variation of the response to pacing is modeled via the gDLM. We use combined high frequency eye-tracking and zapping data on 31 commercials for more than 1000 participants to calibrate the model capturing the moment-to-moment effects of pacing, and show that brand pacing variables (i.e. presence, duration, modality), visual complexity of the scene/frame and the individual and aggregate level gaze-point dispersion have significant zapping effects. Contributions to advertising management and theory, such as criteria supporting virtually cost-free decisions with respect to optimizing brand placement in commercials and their post-production

pacing, are addressed as means to retain and guide viewers' focal visual attention and to reduce commercial zapping likelihood.

2 - Informative Advertising and Price Competition in Monopolistic Markets

Chuan He, Assistant Professor, University of Colorado at Boulder, 419 UCB, Boulder, CO, 80309, United States, chuan.he@colorado.edu, Wilfred Amaldoss

Internet advertising helps to inform a larger body of consumers about a firm's product and price. The resulting improved reach raises the hope of persuading more consumers to purchase the firm's product. But if all competing firms increase the reach of their advertising, it may heighten price competition and dampen profits. Empirical research has found internet prices are indeed lower for relatively homogeneous goods, but not so for more customizable goods. Using a non-localized spatial competition model, we seek to better understand how informative advertising affects firm's pricing strategy in a monopolistic market. Specifically, we explore how the reach of advertising and advertising technology interact with consumer preference structure and number of competing firms to determine firm's prices and profits. We characterize the conditions in which informative advertising is conducive to firm's profits and contrast it with cases where it hurts firm profits.

3 - Dynamic Advertising and Word-of-Mouth Effectiveness in Sequential Distribution of Innovations

Norris Bruce, Assistant Professor, Marketing, University of Texas at Dallas, P.O. Box 830688, SM32, Richardson, TX, 75083-0688, United States, norris.bruce@utdallas.edu, Natasha Zhang Foutz

Firms often release their new products and services in stages through sequential distribution. To secure success of these product innovations, firms often launch multiple waves of ad campaigns, each surrounding the stage release time. Existing advertising research, often in the context of mature product categories, provides limited guidance in situations where advertising and WOM both play a significant role in stimulating demand, and where their effectiveness vary both within and across stages of the sequential distribution. We construct a model to account for the dynamic effects of advertising and WOM, including forgetting, rejuvenation, and wearout, on demand at different stages of the sequential distribution of innovations. The model seamlessly accounts for advertising and WOM carryover from earlier to later stages of the sequential distribution, interdependence between advertising and WOM, and heterogeneity among innovations. We apply our model to the theater-then-video sequential distribution of U.S. motion pictures, and estimate the model using Bayesian DLM methods. Our model provides several interesting insights. First, we find that advertising and WOM are both more effective during the video distribution stage than during the theatrical stage, due to lower wearout and forgetting effects. Second, WOM proves more effective than advertising in stimulating demand throughout the sequential distribution. Third, ad spending and volume of WOM have a positive impact on each other in stimulating demand for the innovations. Finally, an optimization exercise shows that studios can greatly increase the revenues of 78% of the films in our sample by reducing allocation of ad spending during the theatrical stage and increasing allocation during the video stage.

4 - Advertisement Revenue Driven News Publisher under Information Asymmetries

Wanshan Zhu, Assistant Professor, Singapore Management University, 50 Stamford Road #04-01, Singapore, 178899, adamzhu@smu.edu.sg, Zhengping Wu

We consider the impact of advertisement revenue on a news publisher's production decision. The publisher has to appropriately decide how much to charge advertisers without knowing their marginal benefit from the advertisement. We discuss managerial insights obtained from our model.

SB13

Seminar Room 3.7 (Room 3026)

Empirical Market Structure

Chair: Jorge Silva-Risso, Assistant Professor, Marketing, University of California, Riverside, 201 Anderson Hall, 900 University Ave., Riverside, CA, 92521, United States, jorge.silva-risso@ucr.edu

1 - Product Variety in Two-Sided Market: Insights From Home Video Game Industry

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The two-sided market is usually defined as market where the platform enables interactions between two distinct groups of end-users, and try to "get the two sides on board" by choosing proper pricing structures

(Rochet and Tirole 2005). This study aims to extend the literature on two-sided markets and network externalities to the issue of variety provision, taking account of the information asymmetry in platform-agent relationships. It is also noted that different from the literature on variety provision by multiproduct firms we often see earlier, the platform-agent relationships come into the picture because the provision of variety or the endogeneity of product variety provision in this context is more related to the question of how the platform attracts independent developers. We will use a structural model incorporating consumer side and supply side to measure the interactions on both sides, the equilibrium provision of variety and its welfare implications. Sales record data of Home Video Game Industry in US market will be used to validate our model. This is an important area for both economics and marketing research; it will help us to fully understand the market structure, to provide valuable suggestions to marketers and public policy makers.

2 - Antitrust Market Definition

Fang Wu, Ph.D, School of Business, University of Alberta, School of Business, University of Alberta, Edmonton, AB, T6G 2R6, Canada, fangw@ualberta.ca, Paul Messinger, Terry Elrod

Understanding market structure has important political implications. Also there are numerous empirical market structure analysis literature, seldom is based on the supermarket scanner data, which is considered to be less expensive and more easily obtainable. Our research is an extension of these previous marketing literature on that we try to identify the market structure from soft drink scanner data that exhibits highly multicollinearity problem due to the manufacturers' multiproduct umbrella pricing policies, a common phenomenon in marketing. We have previously used Bayesian technique to solve this problem based on aggregate linear demand function. However, one limitation with this method is that too many parameters needs to be estimated. Therefore, we re-formulate our research by deriving the demand from a non-linear utility specification based on Anderson et al.'s (1988) representative consumer framework. This new model avoids the restricted assumption usually associated with discrete choice model that demand for goods should be mutually exclusive, given consumers are often observed to purchase multiple brands of soft drinks on the same occasion. We also make the comparison between the findings from these two methods.

3 - Consumer Lifestyle, Product Characteristics and the Implication for Product Positioning

Hengyuan Zhu, Professor, School of Economics & Management, Tsinghua University, Beijing, BJ, 100084, China, zhuhy@sem.tsinghua.edu.cn, Ligang Yan, Guisheng Wu, Qing Wang

Life style is often used to segment market and then to position products to consumers with different life style. However, despite the various research efforts, positioning based on lifestyle is still one of the least understood but potentially most powerful approaches (Vyncke, 2002). One of the shortcomings of prior research is the lack of understanding of the interaction between product characteristics and consumer lifestyles. Most research has focused on the relationship between consumer life style and product concept (For example, Thack & Olsen, 2004; Gonzalez & Bello, 2002; Mathews & Slocum, 1969). However, consumers' preferences are often related to their evaluation of the utility that various product characteristics are likely to offer rather than product concept per se (see Mukherjee and Hoyer, 2001; Nowlis and Simonson, 1996). On the other hand, although researchers in innovation studies have examined product characteristics in the context of new product development and adoption (see Rogers, 1983; Lancaster, 1971), product characteristics are often studied from the perspective of the producers rather than that of the consumers. Combining prior research in consumer lifestyle with theory from innovation studies, we developed a logit model to test the interactive effect of consumer lifestyle and product characteristics. Data were collected from Chinese mobile phone market, using computer-assisted telephone interviewing technique (1777 completed questionnaires were returned) and four consumer lifestyle clusters were identified. The results indicate that consumers in these lifestyle clusters have different preferences for product characteristics. This paper makes a valuable contribution to product positioning research.

4 - Consumer Characteristics, Needs and Product Attributes: Identifying the Drivers of Market Structure

Jorge Silva-Risso, Assistant Professor, Marketing, University of California, Riverside, 201 Anderson Hall, 900 University Ave., Riverside, CA, 92521, United States, jorge.silva-risso@ucr.edu, Zachery Anderson, Alexei Khavaev, Siddarth Sivaramakrishnan

The nature of consumer preferences and substitution patterns in differentiated product markets has been the focus of extensive research in marketing and economics and is also of great interest to managers who face new product entry or product redesign decisions. For example, Automotive News recently reported that General Motors and Ford had decided to exit the minivan market and to introduce new crossovers (car-based midsize SUVs), which would, presumably, be more attractive to minivan buyers. An important empirical issue therefore is to understand the underlying drivers of the observed structure of consumer preferences and to accurately predict substitution patterns. Will the crossovers better satisfy the consumer needs addressed by the minivans? To this end, we develop a disaggregate model of consumer vehicle choice based on the interactions of consumer characteristics (demographics, attitudes), consumer needs (seating capacity, ruggedness, sporty drive), and product attributes (physical, soft characteristics, marketing mix elements) so that we can recover the underlying drivers of consumer preferences and substitution patterns. The model is estimated using data from a large survey of automobile buyers in the year 2006, augmented with information on the marketing environment, from transaction data on new vehicle purchases during the same period. The empirical estimation covers about 250 vehicle models and uses instrumental variables to account for price endogeneity. We estimate several sub-models in order to investigate the relative influence of different combinations of consumer characteristics, needs and product attributes on consumer choice and competition and thus relate the observed market structure in the automobile industry to groupings of consumer needs.

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 Borle, Sharad TC15
 Boswijk, Peter FA03
 Bowman, Douglas TB12, SB01
 Boztug, Yasemin FD14
 Bradlow, Eric TA15
 Brashear, Thomas TC11
 Braun, Michael TB13
 Brodie, Roderick FA14, FB01
 Broniarczyk, Susan TD12
 Bruce, Norris SB12
 Bruschi, Michael SA09
 Brush, Gregory J. FA14
 Bucklin, Randolph FB16, FC05
 Bueschken, Joachim TD15, FA13
 Burke, Paul TA09, SA12
 Busch, Jan FB03
 Büschken, Joachim FA13

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Calabretta, Giulia TD03
 Cao, Henry SB01
 Carter, Franklin TB03
 Çavdaroglu, Burak FB05
 Cha, Jaesung TC16
 Chakravarti, Dipankar TA02, TC01
 Chakravarty, Anindita TC08
 Chan (Yee Ling), Elaine FB04
 Chandran, Sucharita TB04
 Chandrashekar, Murali TA02, FC12
 Chandry, Rajesh FA06, FC01, FD01
 Chang, Dae Ryun TA12
 Chan, Kimmy Wa TB14
 Chan, Tat FA09, SB02
 Chatterjee, Rabikar FD14, SA15
 Chatterjee, Sharmila FA02
 Chattopadhyay, Amitava FA02
 Chee, Robin SA12
 Che, Hai FA15
 Chellappa, Ramnath K. SA01
 Chen, Cathy TB02

Chen, Chyi-Mei FB06
 Chen, Der Chao TA15
 Chen, James SA12
 Chen, Judy TB02
 Chen, Kay-Yut SB06
 Chen, Rong TA04, TB04
 Chen, Tao SA11
 Chen, Xinlei (Jack) TC05
 Chen, Yen-Yu SB05
 Chen, Yuxin TC05, FA13
 Chew, Patricia FD12
 Chiang, Jeongwen TA15, FA13, FD10
 Chidmi, Benaissa FC10
 Ching, Andrew TC05
 Chiu, Yen-Ting Helena SB05
 Choi, Beom Joon TB06
 Choi, JeongHye TA16
 Choi, S. Chan TB03
 Chong, Juin Kuan TB14, SB06
 Chou, Shan-Yu FB06, SA13
 Chu, Junhong FB13, SB13
 Chung, Hwan SA06
 Cleanthous, Paris FA10
 Cleeren, Kathleen FB15
 Coltman, Tim SA14
 Colucci, Mariachiara TD12
 Conoor, Sandeep TC15
 Coote, Len TB09, FB09
 Cornelissen, Markus FD07
 Cornelius, Britta TC10
 Costabile, Michele FB14
 Costa, Paulo TA07
 Costea, Dana TB03
 Coussement, Kristof FB16
 Cronley, Maria TA02
 Croux, Christophe FC07
 Cui, Nan TD08
 Cui, Tony FC11

D

Dacko, Scott SB04
 Dahan, Ely SA07
 Danaher, Peter SA15
 Dannewald, Till FA15
 Das, Jitendra Kumar FC14
 Dass, Mayukh FC08
 Datta, Sumon FA06
 Davis, Jim TD14
 De Haes, Joeri FB02
 De Maeyer, Peter TB14
 Decker, Reinhold TA12
 Dekimpe, Marnik FA10, FB15, FC03, FC07
 Dellaert, Benedict TC04, TC12, TD04
 Delre, Sebastiano TC05
 Dempsey, Melanie TA02
 den Hertog, Dick TB10
 Deng, Xiaoyan TD08
 Desai, Preyas FB06
 DeSarbo, Wayne FC07
 Dhar, Ravi TB11, TB12
 Dhar, Sanjay SA10
 Dhar, Tirtha TA10
 Dholakia, Utpal FD08
 Dickinger, Astrid TA05
 Diehl, Kristin TB10
 Dionco-Adetayo, Erlinda TC07, TD16
 Dollinger, Vivien TA05, TB14

Dong, Maggie Chuoyan SA16
 Donkers, Bas TC04, SA03
 Dorokhina, Olga FC09
 Dou, Wenyu TC02
 Draganska, Michaela SA06
 Dreze, Xavier FD10
 Du, Shuili TB04
 Duan, Jason FB15
 Durisin, Boris TD03
 Dutta, Shantanu FD01
 Duvvuri, Sri Devi TA13, FA09

E

Ebling, Christine TB09
 Eisenbeiss, Maik FC07, FD07
 Elhorst, Paul TA10
 Eliashberg, Josh TA15, TD05
 Elrod, Terry SB13
 Elsner, Mark TB05
 Erdem, Tülin FA11
 Esseghaier, Skander FB02
 Estelami, Hooman TB14
 Evanschitzky, Heiner SB11

F

Fader, Peter TA15, TC15
 Fang, Shyh-Rong FB07
 Faure, Corinne FB03
 Feng, Juan (Jane) FD02
 Fetscherin, Marc SA02
 Fiebig, Denzil TA09
 Fildes, Robert TD11
 Finn, Adam TB05
 Fischer, Marc TC03
 Fisher, Robert TA14
 Fleder, Daniel TB05
 Floh, Arne TC16
 Fok, Dennis TA01, FA03, FC13
 Fong, Duncan FC07
 Frambach, Ruud FA03
 Frank, Tema TB05
 Franses, Philip Hans FA03, FD09, SA03, SB04
 Franziska, Voelckner FA11
 Friedman, Allan SA01
 Frischmann, Tanja TD07
 Fukasawa, Kayoko TA10

G

Gad, Marwa SB04
 Gal-Or, Esther FD06
 Ganesan, Shankar FB04
 Gangwar, Manish FB10
 Gao, Chongyan TB06
 Gedenk, Karen TA06, TA11
 Geiger-Oneto, Stephanie TD02
 Gensler, Sonja FA08, SB03
 Gerstmeier, Eva FD02, FD05
 Gerstner, Eitan TD11, FD05
 Ge, Xin FD13
 Geyskens, Inge SA04
 Ghose, Anindya SA08, SB07
 Ghosh, Bikram FA13, FD14
 Ghosh, Mrinal TC11, FC10
 Gielens, Katrijn FA10, FB15
 Gigliotti, Adriana FB13
 Gijsbrechts, Els TD12
 Gill, Tripat FA02

Givon, Moshe TD09
Godes, David TA08
Goh, Khim Yong TB14, FB13, SA01
Goldenberg, Jacob TA08
Golder, Peter FC03, SA07
Goldfarb, Avi FB15
Goldsmith, Kelly TB12
Gollwitzer, Peter TD04
Gong, Qiang FB08
Gonzalez, Jorge TA01
Gopalakrishna, Srinath SA15
Gordon, Brett TB11
Goto, Hisanori TC07
Grewal, Rajdeep TC08
Groenen, Patrick J. F. FC13
Gruca, Thomas TC12
Gu, Bin SB07
Gu, Flora F. SA16
Guo, Xuesong TB16
Gupta, Reetika TD04
Gupta, Sudheer SA16
Gur Ali, Ozden FB05

H

Habel, Cullen FA07
Hagemeister, Frauke TA11
Hahn, Minh TD14
Hamilton, Rebecca FC09
Ham, Sung TD02, FC15
Han, Dongchul TB02
Han, Sangman TA08
Han, Sang-Pil TC07
Hansen, Karsten FC10, SB02
Han, Song FC11
Hao, Liaogang TB06
Hardie, Bruce TC15, SA04
Hariharan, Vijay Ganesh TB12
Hartmann, Wesley TA11, TC03
Häubl, Gerald TD04
Hausman, Jerry FA10
Ha, Young-Won TC04
He, Chuan SB12
Hegie, Quintus TD05
He, Hong-Wei SB10
Heidarzadeh Hanzae, Kambiz FA14
Heide, Jan TB15
Heil, Oliver TB05, TD01, SB09
Heiman, Amir FC03
Heitmann, Mark TC04
Helsen, Kristiaan SB01
Herrmann, Andreas TC04
Herter, Valerie FA07
Herzenstein, Michal FD08
Hess, James TB16, TD02
He, Tingting FA05
Hibshoosh, Aharon FB11
Hildebrandt, Lutz FA15, FB03
Hinz, Oliver FD05, SB03
Ho, Candy K. Y. TD02
Hojtink, Herbert FC13
Ho, Jason TD05
Hong, Jae Weon TA08
Hooley, Graham, J. TD14
Hoppe, Daniel TC07
Horsky, Dan FA15, SB01
Horsky, Sharon TA14
Horvath, Csilla FC14
Hosanagar, Kartik TA01, TB05
Ho, Teck FC11, SB06
Hoyer, Wayne TC14
Hsiao, Lu SA13
Hsieh, Yi-Chun FB07
Hsu, Chao-Min TA05
Hsu, Jane Lu TC14, SA03, SA12

Huang, Chi-Tsun TA05, FB14, SB10
Huang, Chun-Yao FD09
Huang, Je-Sheng TD06
Huang, Min-Hsin SA12
Huang, Tsui-Ju FB14
Huang, Yan SB10
Huang, Yanliu FA02
Hui, Kai-Lung SA01
Hui, Sam TA16
Huisman, Dennis TD05
Hu, Jeffrey FA10
Hu, Nan TA16, SA05
Hunneman, Auke TA10
Hutchinson, Wesley TD08
Hu, Ye FA10, FD08

I

Ikeda, Tatsuya TC09
Ingenbleek, Paul SA04
Ingene, Charles TC06, FB08
Inoue, Akihiro SA15
Ip, Edward SB09
Ipeirotis, Panagiotis SA08
Irmak, Caglar TD04
Irwin, Julie TA02
Ishihara, Masakazu TC05
Islam, Towhidul TA09, FB09
Israel, Duraipandian FC02
Iyengar, Raghuram FD03
Iyengar, Sheena TC04
Iyer, Ganesh FA15, FD06

J

Jager, Wander TC05
Jain, Dipak TC15
Jaiswal, Anand TD06
Jamal, Zainab FB16
Janakiraman, Narayan FB04
Janakiraman, Ramkumar TA16, FB05
Jank, Wolfgang TD01, FC08
Janssen, Marco TC05
Jap, Sandy TB15
Jarnebrant, Peter TA04
Jayachandran, Satish FA13
Jedidi, Kamel TC03, FD03
Jen, Lichung TB16
Jerath, Kinshuk TC15
Jia, Jianmin TB06
Jindabot, Teerasak SB11
Jing, Xiaoqing FD12
John, Raja TB12
Johnson, Eric TA04
Johnson, Jean TC08, SA14
Johnson, Joseph SB09
Joseph, Kissan TB06
Joshi, Amit TD05, TD07
Jou, Jacob Y.H. FB13
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K

K.B., Saji SB05
Kacker, Manish SA14
Kahn, Barbara FA02
Kalra, Ajay TB04
Kalyanam, Kirthi TD10
Kamakura, Wagner TC06, FC13
Kam, Tin Seong SA09
Kanazawa, Yuichiro TB13
Kanetkar, Vinay TD11
Kang, Hyunmo TD14
Kang, Moon Young TB13
Kang, Woosong TB08

Kannan, P.K. FA05
Kardes, Frank TA02
Kartono, Benjamin FC09
Katona, Zsolt TA16, FA02, FB06, SA13
Katz, Michael L. FA11
Kauffman, Ralph TD10
Kauffman, Robert FA11
Kaya, Maria TD03, SB05
Kaya, Tolga TC09
Keane, Michael TA09
Keating, Byron SA14
Kellar, Gregory M. TC16
Keller, Jens FA08
Kettle, Keri TD05
Khan, Aamir FC16
Khavaev, Alexei SB13
Khong, Kok -Wei TA15
Kim, Doyle TB02
Kim, Geonha FC03
Kim, Jaehwan FC05
Kim, Jikyung SA04
Kim, Ju-Young FD08
Kim, MinChung FA07
Kim, Wonjoon FA15
Kim, Youngchan TC16
King, Andrew TB08
Kivetz, Ran TB04
Kiygi Calli, Meltem TA14, FC04
Klapper, Daniel TB09, SA10
Klein, Kristina TA06
Knaf, Michael TA06
Knox, George TA15
Koenigsberg, Oded TC09, FA10
Kohli, Ajay TA12
Kohli, Rajeev TC09, FD03
Kolsarici, Ceren FD01
Konus, Umot FA08
Kopalle, Praveen TA07
Kornish, Laura FB16
Kothandaraman, Prabakar SA14
Kouchtch, Sergei TD10
Koukova, Nevena FA04
Krafft, Manfred FB07, FD15
Krasnikov, Alexander FA13
Kreis, Henning FB03
Kremer, Sara SA04
Krieger, Robert TA10
Krishna, Aradhna FA10, SA03
Krishnamoorthy, Anand FB06
Krishnamurthi, Lakshman SB02
Krishnamurti, Ramesh TC09
Krishnan, Trichy V. FA06
Kruger, Michael FA10
Kubo, Tomokazu FB08
Kühl, Rainer FB13
Kuksov, Dmitri FA05, FD06
Kumar, V. TC15
Kum, Doreen TC14
Kusumasondjaja, Sony FB16
Ku, Yong-Sheng FB06
Kwak, Kyuseop FA09
Kwong, Jessica TB07, TD02
Kyriakopoulos, Kyriakos TC12

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Labbi, Abderrahim FC04
Lafontaine, Francine FC10
Lajos, Joseph FA02
Lam, Simon TB14
Landsman, Vardit TD09
Laochumnanvanit, Krongjit FD13
Laurent, Gilles FD07
Lee, Chang Hwan SA10
Lee, Cheng-Wen FC02
Lee, Chia-lin TA12
Lee, Dong-Joo TC07

Lee, Dongwon FA11
Lee, Eunkyu SA06
Leeflang, Peter FB05, SA04
Lee, Hyun Jung TA05
Lee, Janghyuk TC16, FC05
Lee, Jimmy TD06
Lee, Jongkuk FB08
Lee, Leonard FA04
Lehmann, Donald TA08
Lemieux, James TB06
Lemmens, Aurelie FC07, FD01
Lengauer, Johanna TA05
Lenk, Peter TD10
Leung, Ada TC13
Levav, Jonathan TC04
Levy, Daniel FC12
Liaw, Chi-Shun FC02
Libai, Barak FD16
Li, Bingxin FC16
Lievens, Annouk FB02
Li, Hairong TC02
Li, Jin FC05, FD13
Li, Julie FC16
Lilien, Gary L. FD02, SA15
Lima, Elen TD15
Lim, Noah FC15
Lin, Tien-Chun FC02
Lin, Yuanfang FD06
Lin, Yuli FA14
Li, Qiuping TA02, FB16
Li, Shenyu SB08
Li, Shibo TD15, FD16
Liu, Hong Juan TD11
Liu, Hsiu-Wen TB16, FA14
Liu, Kang Ernest SA12
Liu, Ling SA05
Liu, YiFen FB13
Liu, Yunchuan SA10
Li, YingJiu TA16
Li, Zhao TC16
Lo, Desmond Ho-Fu FC10
Loetzer, Matthias TD15
Lopez, Rigoberto FC10
Louviere, Jordan TA09, TB09, FB09
Luchs, Michael TA02
Luk, Sherriff FB01
Lu, Qiang(Steven) FC15
Lwin, May SA01
Lyandres, Evgeny FD08

M

Mac, Lancy TD07
Ma, Dan TA16, FC05
Madnick, Stuart TD08
Magin, Vera TD01, SB09
Mahajan, Vijay TA01
Mak, Vincent SA08
Mantrala, Murali FB05, FD15
Marcati, Alberto TC01
Markovitch, Dmitri SA07
Martin Herran, Guiomar TD09
Marzocchi, Gian Luca TD12
Mathirajan, M. TD15
Mathur, Sameer TB04
Matsuo, Yutaka FC06
Matysiewicz, Justyna SB07
Mayhew, Glenn TA13
Ma, Yu FA09
Mazumdar, Tridib TC06
Mazursky, David TD08
Mazzeo, Michael SA06
McAlister, Leigh TC14, FA12
McAuliffe, Jon TB13
McWilliams, Bruce FC03
Meaders, Richard TB02
Mehta, Kumar FB11

Mela, Carl TB13
Menictas, Con TB09
Merdji, Mohamed TD02
Merlo, Omar FA14
Messinger, Paul TD05, FC05,
FD11, FD13, SB13
Meyvis, Tom TB12
Meza, Sergio SB06
Michael, Steven TA14
Miller, James SA07
Miller, Steve TD05
Mireles, Carlos TA04
Misra, Kanishka FC10
Misra, Sanjog FA15, SB01
Mitchell, Andrew A. TA02
Mitra, Debanjan (Deb) TD01
Mizik, Natalie FA12
Mizuno, Makoto TC09
Montaguti, Elisa TD03
Montana, Jordi TD03
Montgomery, Alan FD16
Montoya, Ricardo TC03, TC09
Montoya-Weiss, Mitzi TB08
Mooi, Erik TC11
Moon, Sangkil TA09
Mora, Jose TA10
Morgan, Neil FB13
Mo, Roxy Hsien-Chen TC14
Morrison, Mark FB09
Mues, Christophe TD15
Mukherjee, Avinandan TC02,
SB10
Mukherji, Prokriti FA06
Mukhopadhyay, Anirban FB04
Muller, Eitan TA01, FA10, FC01
Müller, Melanie TA05, TB14
Murthi, BPS SA04
Musalem, Andrés FC13
Musa, Rosidah TB07
Muthukrishnan, A.V. TB06
Myojo, Satoshi TB13
Myslinski, Martha TA03

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Naik, Prasad A. FB06
Nair, Hariakesh TA11, TC03
Nam, Inwoo TC12
Narasimhan, Chakravarthi FA05,
SB02
Narasimhan, Om FD01
Narasimhan, Sridhar TD13
Narayanan, Sridhar TC03
Narayan, Vishal TB11
Nascimento, Fernando TB11
Natarajan, R.C. TD10
Natarajan, Thamaraiselvan TB12
Natter, Martin TC10, FB10, FD08
Naylor, Rebecca TA02
Nelson, Paul FA15
Neslin, Scott TA07, FA08
Netzer, Oded TC03, FD10
Nicolas, Jean-Louis TD02
Nies, Salome FB10
Nijs, Vincent FC10
Niraj, Rakesh TA16, TD06
Nitikarn, Pattarapong TC02
Nitzan, Irit FD16
Noordhoff, Corine TC12
Numberger, Siegfried TA12

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Oestreicher-Singer, Gal FA05,
SA05
Oettingen, Gebrielle TD04
Ofek, Elie FB06
Omar, Nor Asiah TB07

Ong, Adeline FD13
Onishi, Hiroshi TA14
Onn, Keet Peng TD11
Ono, Akinori FB08
Oppewal, Harmen TA10, TC10,
FB09, FD13, SB10
Ordanini, Andrea TD08
Orzan, Gheorghe FC06
Orzan, Mihai FC06
Osinga, Ernst FB05
Otter, Thomas TD13
Ozcan, Kerimcan FC06

P

Paap, Richard FC13
Pae, Jea Hyeon TA05
Pagani, Margherita TA08
Pai, Seema FA12
Palekar, Udatta FB08, SA10
Pancras, Joseph FB11
Panda, Abinash TD04
Park, Joonwook FC07
Park, Kyungae TD16
Park, Sehoon TC04
Parry, Mark FB08
Patel, Chirag TC08
Patel, Taran TC08
Pauwels, Koen TD07, FD07
Pauwels, Pieter TC12
Pazgal, Amit TC06
Peres, Renana TA01
Pfeil, Christian FD12
Pham, Michel Tuan TC01
Pick, Doreén FB07
Pieters, Rik TC10, SB12
Piller, Frank TB14
Pingitore, Gina FB13, FD02
Pinto, Mary Beth TC02
Png, Ivan SA01
Podoshen, Jeffrey TC02
Popkowski Leszczyc, Peter FC08,
FD14, SB08
Posselt, Thorsten TD03, TD11,
FD05, FD12
Poynor, Cait TB10
Prabhu, Jaideep FA06, FC01
Pracejus, John FD14
Pradhan, Debasis TD04
Preis, Michael W. TC16
Prins, Remco SB04
Prinzie, Anita FA09
Proppe, Dennis FC14
Prykop, Catja SB11
Puspa, Jofi FB13
Putler, Daniel TA10

Q

Qing, Ding SA11
Qualls, William FB08
Qu, Zhe TD13

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Radic, Dubravko TD03, TD11,
FD05, FD12
Raghunathan, Raj TA02
Rajiv, Surendra SB13
Raju, Jagmohan TC13, FD04,
SA10
Ramachandran, Anupama FA05
Ramakrishnan, Ananthakrishnan
TD15
Raman, Kalyan FB06
Ramaswamy, Venkat FC06
Ranganath, Anu TA07

Rangaswamy, Arvind FD02
Rao, Vithala FC09, SB03
Rasila, Heidi SB11
Rasila, Tommi SB11
Ravishanker, Nalini FD04
Ray, Sourav FC12, FD11
Read, Stuart TD14
Reddy, Srinivas FC08
Rego, Lopo FB13
Reichwald, Ralf TA05, TB14
Reimer, Kerstin SB07
Reinartz, Werner FD04
Reinecke, Sven FA08
Reitzig, Markus SA12
Rese, Mario FA07
Reutterer, Thomas FD14
Rhee, Byong-Duk SA10
Rhee, Subom TD10
Rindfleisch, Jennifer FC15
Robertson, Diana TA03
Romero de la Fuente, Jaime
FD16
Rooderkerk, Robert TB10
Rossiter, John SA15
Rotte, Kristin TA02, FC12
Roy, Abhik TC13
Rubera, Gaia TD08
Rufaidah, Popy FB12
Rungie, Cam TB09, FB09
Russell, Gary FA09
Rust, Roland TC15, FA05
Rutz, Oliver FC05

S

Sa Vinhas, Alberto TB15, SB01
Saha, Angshuman TA06
Sahay, Arvind FC09
Saito, Kaich FA03
Sajtos, Laszlo TD14
Samaha, Stephen TC06
Sancheti, Sachin FB15
Sands, Sean TA10, TC10
Stanworth, James TA05
Sarvary, Miklos FA02, SA13
Schlereth, Christian TA11
Schmidt, Simone FD15
Schoegel, Marcus FA08, FB07
Schroder, Arne SA10
Schulten, Matthias FA08
Schweidel, David TA15
Scott, Crystal FC07
Seetharaman, P.B. FB10
Segers, Rene FD09
Seim, Katja SA06
Seldin, Dan FD02
Sen, Sahana TA03, SB04
Sethuraman, Raj SA04
Sett, Rahul FC09
Shacham, Rachel FC03
Shah, Rajesh FC04
Shankar, Gowri SA07
Shankar, Venky FB03
Shanmugam, Ravi FA15
Shao, Alan FC16
Shao, Kung-Hsin TB16
Shapiro, Dmitry FB11
Shen, Michael FD14
Shieh, Jiunn-I TD13
Shi, Hongyan SA10
Shi, Mengze FA13
Shin, Hyun SA07
Shin, Jiwoong SB04
Shin, Sangwoo SB01
Shmueli, Galit FC08
Shou, Zhigang SB08
Shugan, Steven TD01
Silk, Alvin TA14, FD11

Silva-Risso, Jorge SB13
Singh, Ramendra SA16, SB08
Singh, Siddharth TC15, FD16
Sinha, Ashish FA12
Sinha, Shameek TA13, FA12
Sin, Raymond G. SA01
Sismeiro, Catarina FB05
Sivakumar, K FD11
Sivaramakrishnan, Siddarth
FA12, SB13
Skiera, Bernd TA11, TD01,
FD02, FD05, SB03
Sloot, Laurens M. SB04
Smirnova, Maria TD10
Smith, Timothy SA15
Smit, Willem TD14
Soberman, David TC06
Soman, Dilip TB07
Sonnier, Garrett TD13
Sood, Ashish FC01
Soopramanian, Didier TD11
Sorescu, Alina B. FA06, FB03
Soukhoroukova, Arina TD01
Spann, Martin TD01, FA11,
FD05, FD08
Spiegel, Uriel FB11
Spitzer, Sarah TB03
Sridhar, Karthik SB06
Sridhar, Shrihari FD15, SA15
Srinivasan, Raji TD12, FC01,
FD02
Srinivasan, Shuba TD07, FB05,
FB06, FC03
Srivastava, Joydeep TC01, FA04
Srivastava, Rajendra K. TD07,
FB01
Stakhovych, Stanislav FC07
Stanworth, James SB10
Steenkamp, Jan-Benedict FA10
Steffens, Paul TD03, SB05
Stempinski, Eric FB14
Stepanchuk, Tanja FD02, FD05
Stephen, Andrew TC01
Stephen, Wang FD04
Stock, Axel FD06
Strauss, Steven SB04
Stremersch, Stefan TA01, TD12,
FB05, FC01, FD01, SB05
Subramaniam, Ramanathan FD06
Subramanian, Gopi TA06
Subramanian, Upender FD04
Su, Chenting SB08
Sudalaimuthu, Sethu TD15
Sud, Bharat TA14
Sudhir, K. FA06, FB15
Suk, Kwanho FC03
Su, Meng SB03
Sun, Baohong TA07, TB11, TD15,
FA11, FD16, SA11, SB01
Sundararajan, Arun FA05,
SA05, SA08
Sun, Li SB13
Sun, Yacheng TA07, TD15
Suresh, Preethika FB06, SA11
Su, Song TB04
Swaminathan, Vanitha TA07
Swami, Sanjeev TD05
Szymanowski, Maciej TD12

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Taboubi, Sihem TD09
Takada, Kaz FA03
Taluqdar, Debu TB12, FA06
Tambyah, Siok Kuan FD12
Tavassoli, Nader SA04
Teixeira, Thales SB12
Telang, Rahul SA01

Tellis, Gerard FA03, FC01
Ter Hofstede, Frenkel TA13, SA11
Theysohn, Sven FA11, SB03
Thiesen, Christoph TA03
Tong, Jiadong FC15
Tong, Pingsheng SA14
Torres, Anna FB12
Toubia, Olivier TA04
Tribó, Jose FB12
Tripathi, Manish SA13
Trivedi, Minakshi TA13, FC12, SB06
Tse, David K. TB14, SA16
Tuan, Noel FB13
Tucci, Christopher L. TB08
Tucker, Catherine TD06, SA05
Tuli, Kapil TB15

U

Ulengin, Burc TC09
Umesh, U. N. SA14
Uncles, Mark TD09, FB01
Urbany, Joe TD14
Uslay, Can SB09
Usta, Murat TD04

V

Vakratsas, Demetrios FD01
Valdani, Enrico FD04
Van Alstyne, Marshall TD08
Van de Gucht, Linda FA10
Van den Bulte, Christophe TA01
Van den Poel, Dirk FA09, FB16
van der Lans, Ralf TC10, FD16
van Diepen, Merel SA03
van Dijk, Bram FC13
van Doorn, Jenny FA16
Van Dyck, Walter FD01
van Everdingen, Yvonne TA01, SB04
van Hattum, Pascal FC13
van Heerde, Harald TB10, TB13, FC03
van Herk, Hester FC13
van Nierop, Erjen TC13
van Rijnsoever, Frank SA08
van Rosmalen, Joost FC13
van Waterschoot, Walter FB02

Vanhuele, Marc TD07
Vecchione, Michele TC01
Velu, Chander TD08
Venkataraman, Sriram FB05
Venkatesan, Rajkumar TC15, FB11, FD04
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Venugopal, Pingali TD06
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Zilberman, David FC03
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Zwick, Rami SA08

Thursday, 8:30 - 10:00am (Session TA)

TA01	Special Session: To the Memory of Frank Bass
TA02	Implicit and Explicit Memory
TA03	Pharmaceutical Marketing I
TA04	Decision Research I - Prospect Theory
TA05	Adoption in the Digital Domain
TA06	Price Promotion I
TA07	Loyalty Programs I
TA08	Innovation Adoption
TA09	Choice - Methodology I
TA10	Retailing Space & Location
TA11	Pricing I - Willingness to Pay
TA12	Brand Strategy: Convergence, Alliance and Licensing
TA13	Bayesian Methodologies
TA14	Advertising Strategy
TA15	CRM and CLV
TA16	Diffusion of Innovation & Social Influence

Thursday, 10:30 - 12:00pm (Session TB)

TB01	Meet the Editors I
TB02	International Marketing I
TB03	Pharmaceutical Marketing II
TB04	Decision Research II - Vice and Virtue Products: Regret & Self Control
TB05	Word-of-Mouth in e-Marketing
TB06	Price Promotion II
TB07	Loyalty Programs II
TB08	Order of Entry and Innovation
TB09	Choice - Methodology II
TB10	Retail Assortment
TB11	Pricing II - Experiential Consumption
TB12	Brand Extension Research
TB13	Bayesian Methodology and Application
TB14	Services Marketing I
TB15	Empirical B2B Research
TB16	Market Research I: Methodologies in CRM

Thursday, 1:30 - 3:00pm (Session TC)

TC01	Business - Consumer Interaction: Bargaining, Negotiation and Relationship
TC02	International Marketing II
TC03	Pharmaceutical Marketing III
TC04	Decision Research III - Loss Aversion & Context Effects
TC05	Movie Marketing I
TC06	Pricing III
TC07	Customer Loyalty and Retention
TC08	Antecedents of Innovation
TC09	Applied Choice
TC10	Retail Display Effects
TC11	Contracts and Out-Sourcing
TC12	Strategic Alliances
TC13	Market Structure & Diffusion of Innovation
TC14	Advertising and Consumer Behavior
TC15	CLV: Present and Future
TC16	The Outcomes of Customer Satisfaction

Thursday, 3:30 - 5:00pm (Session TD)

TD01	Research Methods in Innovation
TD02	Consumer Consumption Issues
TD03	Diffusion of Innovation in Different Product Markets
TD04	Decision Research IV - Effect of Complexity and Personalization on Choice
TD05	Movie Marketing II
TD06	Long-term Behavior in e-Marketing
TD07	Marketing Metrics I
TD08	Innovation: Co-creation and Creativity
TD09	Choice and Preference at Multiple Levels
TD10	Topics in Channel
TD11	Pricing IV
TD12	Empirical Research in Branding
TD13	Bayesian Applications
TD14	Marketing Strategy I
TD15	Resource Allocation in CLV
TD16	Customer Satisfaction and Consumer Behavior I

Friday, 8:30 - 10:00am (Session FA)

- FA01 Meet the Editors II
- FA02 Consumer Cognition
- FA03 Diffusion of Interrelated Innovation
- FA04 Decision Research V - Numbers and Prices
- FA05 Emerging Issues in e-Markets
- FA06 Competition
- FA07 Marketing Metrics II
- FA08 Multiple Channels
- FA09 Multiple Category Choice
- FA10 Retailing Competition
- FA11 Pricing V-Psychology
- FA12 Branding, Reputation and Brand Value Chain
- FA13 Bayesian Application in CRM
- FA14 Services Marketing II
- FA15 Empirical Industrial Organization I
- FA16 Customer Satisfaction and Customer Behavior II

Friday, 10:30 - 12:00pm (Session FB)

- FB01 Special Session: Contemporary Issues in Branding in the Asia Pacific Region: Challenges for Marketing Science
- FB02 Antecedent of Online Purchase Behavior
- FB03 Innovations and Market Outcomes
- FB04 Decision Research VI
- FB05 Special Session: The Effects of Marketing on Physician Behavior and Drug Sales
- FB06 Competing on Marketing Mix Elements I
- FB07 Behavioral Research in CRM
- FB08 Channel Contracts & Coordination
- FB09 Experimental Choice Models
- FB10 Private Labels
- FB11 Pricing VI
- FB12 Branding in Global Contexts
- FB13 Outcomes of Social Networks
- FB14 Practical Issues Partnerships
- FB15 Empirical Industrial Organization II
- FB16 Topics in Customer Satisfaction

Friday, 1:30 - 3:00pm (Session FC)

- FC01 Special Session: Technological Evolution and Organizational Innovation
- FC02 International Marketing III
- FC03 New Developments in Adoption Models
- FC04 Decision Support
- FC05 Modeling Issues in e-Markets
- FC06 Word-of-Mouth in the Online World
- FC07 Market Research II: Economic Methodology
- FC08 Auctions: Models and Market Structure
- FC09 Bundling, Branding and Choice
- FC10 Manufacturers - Multiple Retailers Interaction
- FC11 Pricing VII - Pricing & Game Theory
- FC12 Public Policy and Market I
- FC13 Market Research III: Latent Class Methods
- FC14 Response Models
- FC15 Sales Force Management I
- FC16 Market Orientation

Friday, 3:30 - 5:00pm (Session FD)

- FD01 Special Session: The Generation and Sales Growth of Life Science Innovations
- FD02 Special Session: Internet Marketing
- FD03 Conjoint I
- FD04 Topics in CRM
- FD05 Pricing Issues in e-Markets
- FD06 Competing on Marketing Mix Elements II
- FD07 Market Research IV: Economic Methodology
- FD08 Auction: Bidding Behavior
- FD09 Market Research V: Survey Methodology
- FD10 Modeling Social Networks and Contagious Effects
- FD11 Pricing VIII- Asymmetry
- FD12 Incentives and Social Networks
- FD13 Important Consumer Behavior Issues in Retailing
- FD14 Model Based Approaches to Bundling
- FD15 Sales Force Management II
- FD16 CLV and Cross-Selling

Saturday, 8:30 - 10:00am (Session SA)

SA01	Special Session: Privacy, Marketing Strategy, and Policy
SA02	International Marketing IV
SA03	Charity and Cause Marketing
SA04	Marketing Generalizations
SA05	Network Effects and e-Marketing
SA06	Product Line Management
SA07	The Financial Marketplace and Marketing
SA08	Topics in Social Networks
SA09	Market Research VI
SA10	Retail Level Strategies
SA11	Pricing IX
SA12	Public Policy & Marketing II
SA13	Online vs. Offline
SA14	Supply Chain: Research Issues
SA15	Research in IMC
SA16	Channels and Distribution Strategy

Saturday, 10:30 - 12:00pm (Session SB)

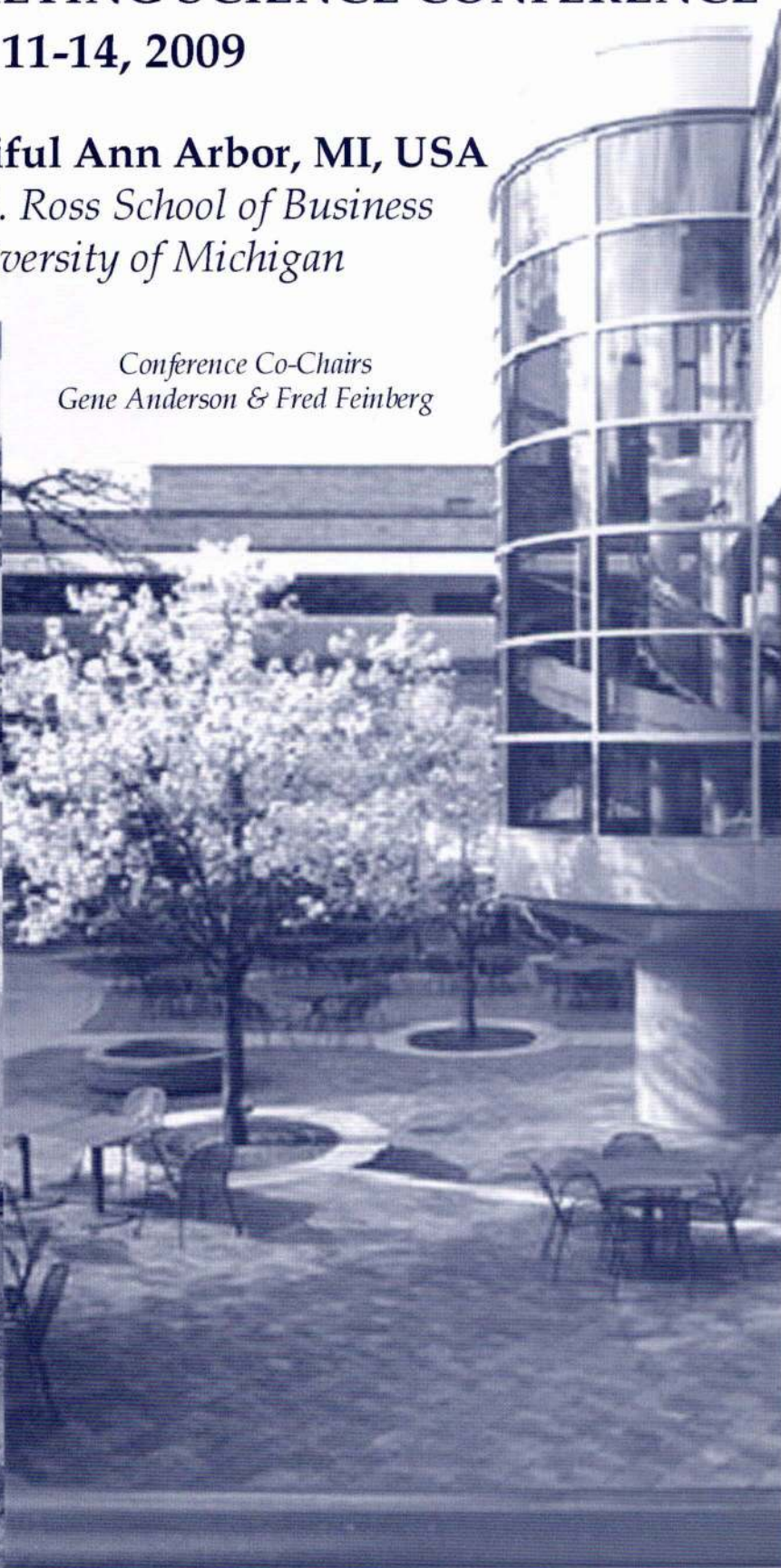
SB01	Consumer Learning
SB02	Pharmaceutical Marketing IV
SB03	Conjoint II
SB04	Adoption of New Services
SB05	Adoption of New High-Tech - Products and Services
SB06	Price Promotion IV
SB07	Topics in e-Marketing
SB08	Channels and Network Effects
SB09	Market Structure Analysis
SB10	International Retailing
SB11	Services Marketing I
SB12	Advertising: Model Based Approach
SB13	Empirical Market Structure

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Track	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	
Wednesday																	
5:00 – 7:00 Pre-Registration																	
Thursday																	
7:30-8:30 Breakfast																	
TA	8:30 - 10:00	Special: To the Memory of Frank Bass	Implicit & Explicit Memory	Pharmaceutical Mktg. I	Decision Research I	Adoption in the Digital Domain	Price Promotion I	Loyalty Programs I	Innov. Adoption	Choice – Methodology I	Retailing Space and Location	Pricing I	Brand Strategy	Bayesian Methodologies	Advtg. Strategy	CRM & CLV	Diffusion of Innovation & Social Influence
10:00- 10:30 Break																	
TB	10:30–Noon	Meet the Editors I	Int'l Mktg. I	Pharmaceutical Mktg. II	Decision Research II	Word-of-Mouth in e-Mktg.	Price Promotion II	Loyalty Programs II	Order of Entry and Innovation	Choice – Methodology II	Retail Assortment	Pricing II	Brand Extension Research	Bayesian Methodology and Application	Services Mktg. I	Empirical B2B Research	Market Research I
Noon - 1:30 Lunch @ Campus Green																	
TC	1:30 - 3:00	Business – Consumer Interaction	Int'l Mktg. II	Pharmaceutical Mktg. III	Decision Research III	Movie Mktg. I	Pricing III	Customer Loyalty & Retention	Antecedents of Innovation	Applied Choice	Retail Display Effects	Contracts and Out-sourcing	Strategic Alliances	Market Structure & Diffusion of Innov.	Advtg. & Consumer Behavior	CLV: Present & Future	The Outcomes of Customer Satisf.
3:00 - 3:30 Break																	
TD	3:30 - 5:00	Research Methods in Innov.	Consumer Consumption Issues	Diffusion of Innov. in Diff. Product Markets	Decision Research IV	Movie Mktg. II	Long-term Behavior in e-Mktg.	Mktg. Metrics I	Innov.: Co-creation & Creativity	Choice & Pref. at Multiple Levels	Topics in Channel	Pricing IV	Empirical Research in Branding	Bayesian Applications	Mktg. Strategy I	Resource Allocation in CLV	Customer Satisf. & Consumer Behavior I
6:00 - 8:00 Cocktail Reception @ Campus Green																	
Friday																	
7:30-8:30 Breakfast																	
FA	8:30 - 10:00	Meet the Editors II	Consumer Cognition	Diffusion of Interrelated Innov.	Decision Research V	Emerging Issues in e-Markets	Competition	Mktg. Metrics II	Multiple Channels	Multiple Category Choice	Retailing Competition	Pricing V Psych.	Branding, Reputation & Brand Value Chain	Bayesian Application in CRM	Services Mktg. II	Empirical Industrial Organization I	Customer Satisfaction and Customer Behavior II
10:00- 10:30 Break																	
FB	10:30–noon	Special: Contemp. Issues in Branding	Antecedent of Online Purchase Behavior	Innov. & Market Outcomes	Decision Research VI	Special: Effects of Mktg.	Competing on Mktg Mix Elements I	Behavioral Research in CRM	Channel Contracts & Coordination	Experimental Choice Models	Private Labels	Pricing VI	Branding in Global Contexts	Outcomes of Social Networks	Practical Issues Partnerships	Empirical Industrial Organization II	Topics in Customer Satisfaction
Noon - 1:30 Lunch @ Campus Green																	
FC	1:30 - 3:00	Special: Tech. Evolution & Org. Innov.	Int'l Mktg. III	New Dev. in Adoption Models	Decision Support	Modeling Issues in e-Markets	Word-of-Mouth in the Online World	Market Research II	Auctions: Models & Market Structure	Bundling, Branding & Choice	Manuf. – Multiple Retailers Interaction	Pricing VII	Public Policy and Market I	Market Research III	Response Models	Sales Force Mgmt. I	Market Orientation
3:00 - 3:30 Break																	
FD	3:30 - 5:00	Special: Sales Growth of Life Sci. Innov.	Special: Internet Mktg.	Conjoint I	Topics in CRM	Pricing Issues in e-Markets	Competing on Mktg Mix Elements II	Market Research IV	Auction: Bidding Behavior	Market Research V	Modeling Social Networks & Contagious Eff.	Pricing VIII	Incentives & Social Networks	Important Consumer Behavior Issues in Retailing	Model Based Approaches to Bundling	Sales Force Mgmt. II	CLV and Cross-Selling
Awards Banquet – Swissôtel, Canning and Padang Rooms																	
Saturday																	
7:30-8:30 Breakfast																	
SA	8:30-10:00	Special: Privacy, Mktg. Strategy, & Policy	Int'l Mktg. IV	Charity and Cause Mktg.	Mktg. Generalizations	Network Effects & e-Mktg.	Product Line Mgmt.	The Financial Marketplace & Mktg.	Topics in Social Networks	Market Research VI	Retail Level Strategies	Pricing IX	Public Policy & Mktg. II	Online vs. Offline	Supply Chain: Research Issues	Research in IMC	Channels & Distribution Strategy
10:00-10:30 Break																	
SB	10:30–noon	Consumer Learning	Pharmaceutical Mktg. IV	Conjoint II	Adoption of New Services	Adoption of New High-Tech	Price Promotion IV	Topics in e-Mktg.	Channels & Network Effects	Market Structure Analysis	Int'l Retailing	Services Mktg. I	Advtg.: Model Based Approach	Empirical Market Structure			
Conference Ends																	