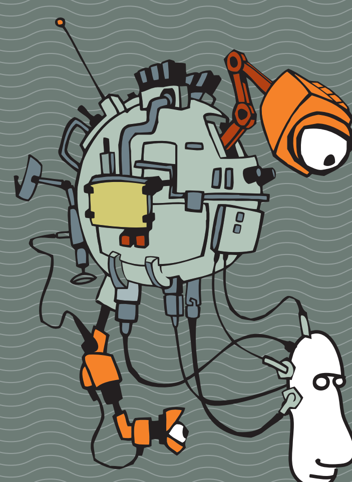
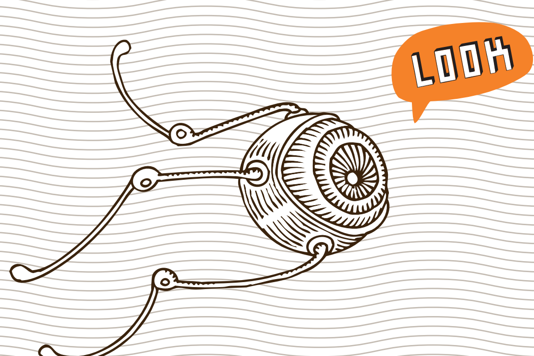
GfK Marketing Intelligence Review



GfK Verein


LOOK

CONTENTS

Vol. 3, No. 2, November 2011

EDITORIAL

Rarely before have companies in all regions of the world had to contend with such turbulent environments. In just the last few months, we have experienced a major debt crisis in the European Union, political and economic turmoil over the debt ceiling and fears of a new global recession, a crash of the Japanese economy triggered by a natural disaster and an increasingly critical overheating of the domestic economy in China – to name just the most striking economic hotspots. At the same time, we have witnessed the boom of India and Brazil, economies that both tended to be slow for many years. Stock prices have been rapidly fluctuating between periods of collapse and explosion, causing additional concern for companies.

These macroeconomic trends cause significant instability for corporate strategies. Matters are further complicated by rapid technological innovations. For instance, computer and software developments can strongly change the competitive situation within a very short timeframe. An example is the serious challenge Google faces from Facebook in online advertising, while at the same time competing with Microsoft in the field of mobile phone software.

As a result, markets are more volatile than ever before. Former seemingly uncontested world market leaders like Nokia, Dell or Microsoft face serious turbulences. Nokia lost market leadership for upscale smartphones and is seeking salvation in a cooperation with Microsoft. RIM faces a similar situation with its BlackBerries, which are considered increasingly unattractive in comparison to a new generation of touchscreen smartphones. In the summer months, Google invested more than USD 12 billion to acquire the Motorola mobile business. And while US car manufacturers, considered defunct only a few years ago, recovered rapidly from existential threats after the crash in 2008, the former market leader Toyota fell behind. Despite basking in a sales boom at the moment, even German car manufacturers are threatened by a serious shakeup of their industry when new technologies substitute the combustion engine and the pack is consequently reshuffled.

The volatility of the market is a challenge for not only finance but also marketing managers. It is necessary to ensure the implementation of long-term strategies instead of just acting for the sake of it. Marketing processes need to accelerate and it might be necessary to revise systems that work well today almost overnight. Innovation is a precondition for survival and flexibility in every respect and is therefore the crucial point for success. Consequently, marketing, market research and marketing intelligence systems need to become even more innovative and speedy. It is the order of the day to establish fast and efficient information processes, to foresee critical developments early and to focus on future rather than past markets.

In light of this, the contributions of our new issue of GfK Marketing Intelligence Review are highly relevant. In their article "The Risky Side of Brand Equity: How Brands Reduce Capital Costs", ***Lopo L. Rego, Matthew T. Billett and Neil A. Morgan*** document that it pays off to invest in building brands, not only from a marking but also from a risk policy standpoint. Strong brands reduce the volatility of company stocks, making them more attractive and reducing capital cost. Hence, marketing can contribute to financial success directly and indirectly by reducing the financial risk for investors.

In "Preference Markets in New Product Development", ***Ely Dahan, Arina Soukhoroukova and Martin Spann*** explain how virtual preference markets can help to identify and prioritize possible product features most valued by different target groups. The evaluations of the participants represent the "wisdom of the crowd" and seem a very effective and efficient way to predict the success of innovations. Further, virtual markets can be seen as a typical example of participatory marketing, capturing customer preferences at an early stage to integrate them into the product development process right from the start.

Laurens Sloot and ***Peter Verhoef*** deal with risks inherent to assortment reductions. In their article "Reducing Assortments without Losing Business – Key Lessons for Retailers and Manufacturers", they balance the loss of brand-loyal customers by reducing the assortment against gaining new customers by organizing the shelves more clearly. In addition, they include recommendations on the special case of a forced delisting by a retailer, and highlight the damage it can cause for both sides. The strength of the brand represents another key issue in the decision to reduce assortment variety.

Felicitas M. Morhart, Walter Herzog and Torsten Tomczak present their study "Turning Employees into Brand Champions: Leadership Style Makes a Difference". They demonstrate that in service industries such as telecommunications, it makes sense to use the power of persuasion rather than incentives to motivate employees to act as brand champions. Truly convinced service employees can make a difference and play a decisive and stabilizing role in the battle for customer loyalty. I recommend this article to everybody looking for proof that leadership style affects the bottom line.

Similar arguments can be found in the contribution of ***Nukhet Harmancioglu, Amir Grinstein*** and ***Arieh Goldman*** "Should Top Management Get Involved in Market Information Collection Efforts?" They prove that top managers should not be above generating market information themselves or being integrated in market research projects, especially in dynamic environments such as high-tech markets. Direct involvement, again, adds to the bottom line.

E-commerce and multi-channeling can cause additional uncertainties and concern among marketing decision makers in many industries. Thereby, the extent of price differentiation between online and offline channels seems of particular interest. Our flashlight "Investigating the Practice of Multi-Channel Price Differentiation" features a study by ***Agnieszka Wolk*** and ***Christine Ebling***, and shows that price gaps tend to be overestimated. To a large extent, prices in online and offline channels overlap. On average, online prices are only about 12 % lower. This provides at least some reassurance in the midst of all the market turbulence!

In this issue, MIR talked to ***Hubertine Underberg-Ruder***, owner and President of the Board of Directors of the Swiss-based producer of the famous Underberg spirits. In our ***MIR Interview***, we eventually discover how a typical medium-sized consumer goods company stays on track in turbulent times. Being big is not a pre-requisite for success, but smaller companies must have a stringent strategy and effective marketing intelligence systems to capitalize on their advantages.

We hope you enjoy reading our articles and that they contribute to your successful handling of the present market turbulence. It is worth remembering that turmoil not only brings threats, but also presents opportunities!

Nuremberg, September 2011

Hermann Diller
Editor-in-Chief

CONTACT

You can contact us at
diller@wiso.uni-erlangen.de,
by phone on
+49 911 5302-214,
or by fax on
+49 911 5302-210

Dr. Dr. h. c. H. Diller,
GfK-MIR,
University of Erlangen-Nuremberg,
Lange Gasse 20,
D-90403 Nuremberg,
Germany

EDITORIAL BOARD

{New Theory}

The "Risky" Side Of Brand Equity: HOW BRANDS REDUCE CAPITAL COSTS

Lopo L. Rego, Matthew T. Billett and Neil A. Morgan

Whereas it is widely accepted that strong brands are associated with superior product-marketplace and firm financial performance, their influence on firm risk is less clear. However, recent studies from the marketing-finance interface have started to unveil the impact that marketing activities have on the firm's financial risk, above and beyond its impact on financial returns. In this study, the association between brand equity and firm risk are investigated. The findings indicate that a firm's consumer-based brand equity (i.e., strong brands) is associated with decreased debtholder and shareholder risk and also reduces the capital costs for the company. Furthermore, brand equity is particularly relevant in protecting firms' equity holders during down-market periods. As a consequence, firms should consider brand management within the firm's risk management strategy and maintain or even increase consumer-based brand equity investments during periods of economic uncertainty.

THE AUTHORS

Lopo L. Rego, Associate Professor of Marketing, lrego@indiana.edu,

Matthew T. Billett, Professor of Finance, mbillett@indiana.edu,

and *Neil A. Morgan,* Associate Professor of Marketing, namorgan@indiana.edu

All three: Kelley School of Business, Indiana University

The authors are grateful to *HarrisInteractive* for access to the *EquiTrend*© database and the Marketing Science Institute for financial support.

The article is an adapted version of *Rego, Lopo; Billett, Matthew T.; Morgan, Neil A. (2009):* "Consumer-Based Brand Equity and Firm Risk", Journal of Marketing, Vol. 73 (Nov.), pp. 47 – 60. and is published with the permission of the American Marketing Association.

What Strong Brands Can Offer

Strong brands create value for the firms that own them: their products or services command higher prices and more market share than comparable products with less reputable or no brand names. Strong brands have been shown to be effective strategies for achieving sustainable profits and returns. Furthermore, strong brands also demonstrably enhance shareholder wealth via higher firm stock returns. The strength of a brand can be estimated by calculating its ***consumer based brand equity (CBBE)*** which is the monetary value resulting from various factors like higher awareness, consideration, quality perception or willingness to pay.

Managers can create shareholder wealth by increasing the level of the firm's profits and cash flows, and also by reducing the risks associated with those cash flows. Market-based assets – such as brands – may enable firms to increase returns while simultaneously lowering the risks associated with these returns. Both aspects increase the value of the firm. This duality suggests that it would be both appropriate and interesting to investigate the "risk-relevance" of consumer-based brand equity in explaining debtholder and equity holder risk. What is the nature – if any – of the association between a firms' CBBE and its level of debtholder and equity holders risk? To what extent can CBBE provide incremental information to widely used financial accounting measures in predicting firm risk? This study attempts to answer these pertinent, yet very relevant, questions.

Consumer-Based Brand Equity and Firm Risk

As indicated above, brand equity concerns the value added to a product or service by its association with a brand name and/or a symbol. The value of a brand's equity results from value that the brand delivers to consumers. Brands with high consumer-based brand equity (CBBE) are those that have high levels of consumer awareness and strong, positive and unique associations in consumers' minds. These constructs have been studied by marketing for more than 40 years.

Type of Risk	Debtholders	Equity Holders
Variability based Risk Lack of predictability in firm cash flow	Focal Interest	
Vulnerability-based Risk Probability of loss		Focal Interest
Total Risk Can be further decomposed…		**Systematic Risk** Risk common with the entire market
		Unsystematic Risk firm-specific / idiosyncratic risk independent of the market

TABLE 1:
Classification of Firm-Level Risk

However, risk is a seminal construct primarily investigated by finance, insurance and accounting. Firm risk can be classified by the type of risk and by the stakeholder(s) involved. Table 1 gives on overview of levels of risk and their relevance for the different stakeholders.

First and foremost, variability in future cash flows creates uncertainty. Uncertainty causes investors to require higher rates of return to compensate for lower predictability, which translates into lower stock prices and higher debt costs. Second, firms' cash flows are assessed in terms of the likelihood that they will be sufficient to meet the firm's financial needs and obligations. This vulnerability aspect of risk is analogous to the notion of ''probability of loss''.

» Brand equity has a stronger impact in lowering unsystematic rather than systematic. «

From a debtholder perspective, the vulnerability of the firm's future cash flows is the primary aspect of risk, since this determines the firm's ability to service its existing debt, its capacity to take on and service new debt, and avoid bankruptcy. From an equity holder perspective, total risk can be characterized as the variability of a firm's stock returns, which can be further decomposed into ''systematic'' equity risk – the extent to which a firm's stock return variability is associated to that of the rest of the stock market, and ''unsystematic'' equity risk, which is firm-specific and unrelated to the market as a whole. While systematic risk may be difficult – if not impossible – for managers to influence, firm-specific characteristics and events, and the unsystematic risk they produce are usually posited to be under more direct control of managers.

What is the Expected Association between Brand Equity and Risk?

Overall, higher levels of brand equity should be associated with reduced levels of firm risk. However, we also expect brand equity to impact the various types of risks differently.

Since ***systematic risk*** concerns the variability in a firm's stock returns that is common with the entire economy or market, firms that are able to cushion themselves from the impact of market fluctuations and deliver consistent cash flows should enjoy lower systematic risk. Consumer-based brand equity should contribute to lowering the firms' systematic risk by increasing customer commitment and brand loyalty, which in turn should decrease the vulnerability (i.e., risk) of the firm's cash flows to market-level shocks.

Unsystematic risk concerns stock return variability that is firm-specific and is generally considered to play a bigger role in explaining firms' total firm risk than systematic risk. Marketing investments directed at enhancing CBBE are akin to creating a market-based asset that differs significantly from those owned by competitors. Therefore, brand equity should also be associated with decreased unsystematic risk. Specifically, the impact of CBBE may be stronger on firms' unsystematic than systematic risk, since brands are rare and valuable assets, difficult to imitate or substitute and therefore likely to generate substantial financial value. In fact, the more unique a brand's perceptions, the stronger the ''cushion'' effect it should command in decreasing firm-specific unsystematic risk, as compared to its effect on systematic risk.

{ Box 1 }

TESTING THE EFFECTS OF BRAND EQUITY ON FIRM RISK

The data on ***brand equity*** was supplied by *HarrisInteractive EquiTrend©* database, which collects annual data on brand knowledge and perceptions from a representative sample of US consumers of more than 1,000 large brands across 35 categories. The CBBE measure is composed of consumer ratings on brand familiarity, perceived quality, purchase consideration and distinctiveness.

Firm risk was measured using two indicators: ***credit ratings*** and ***total equity risk***. Credit ratings are reported on the COMPUSTAT database. These rating are widely used by debtholders and provide an assessment of firms' cash flow vulnerability. Credit ratings range from AAA to CCC (and D for default). These categories were transformed into ordinal and reversed measures ranging from 0 to 25 so that a higher number corresponds to a better credit rating.

Total equity risk was measured by following widely accepted practices in financial research and calculating – for each firm year – daily stock returns over the 252 trading days prior to fiscal year-end and using the standard deviation of these daily returns as the measure of total equity risk. The mean annualized total equity risk for our sample was 35.54 %, with a median of 30.18 % and a standard deviation of 19.04 %. Also following standard practices in finance, we decomposed total equity risk into its two components: *systematic equity risk* and unsystematic equity risk.

For our sample, annualized *systematic equity risk* has a mean of 15.06 %, with a median of 12.64 % and a standard deviation of 9.67 %, while annualized *unsystematic equity risk* has a mean of 31.40 %, a median of 26.41 % and a standard deviation of 17.50 %.

The final dataset contained a total of 1,096 firm-year observations, representing 252 different firms, over a 7-year period (2000 to 2006), spanning all risk levels. Privately-held companies and non-profit organizations had to be removed because the secondary financial accounting data required for analyses was not available. Financial firms were excluded since their capital and risk requirements are heavily regulated and atypical. Factors that were known to be relevant from previous research, like firm size, financial leverage, return-on-assets, and firm age and industry, were controlled in the study and used to calibrate the extent to which brand equity contributes new information in explaining firm risk.

Estimation Procedure

For estimating the effects an ordered logit regression was applied to assess the relationship between firms' CBBE and debtholder risk (ordinal credit rating measure). Standard linear regression was applied to estimate the relationship between firms' CBBE and equity holder risk, since these risk metrics are continuous.

FIGURE 1:
Brand Equity and Debtholder Risk Variance

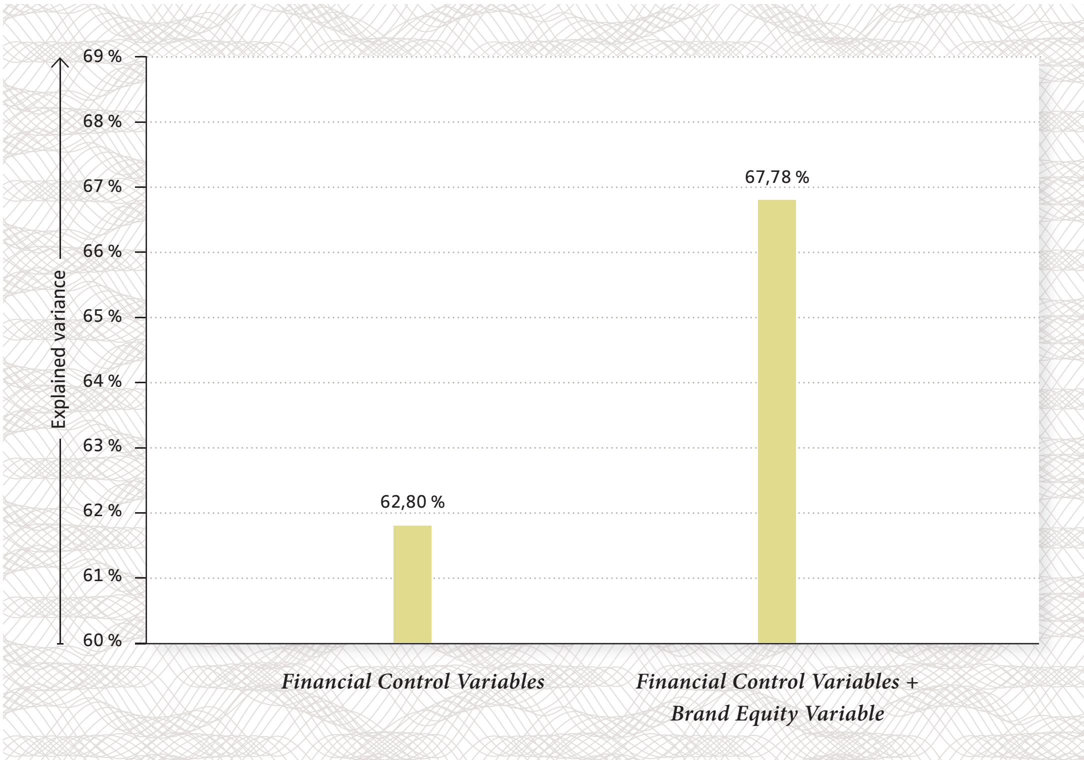
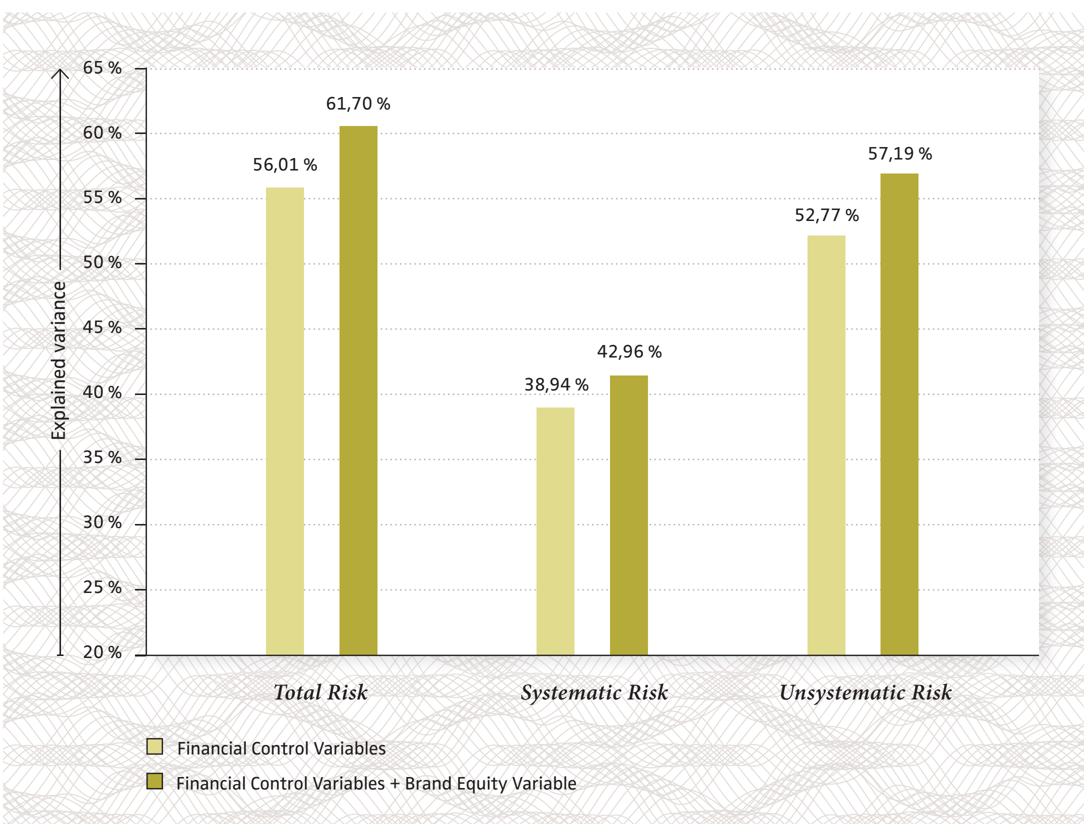


FIGURE 2:
Brand Equity and Shareholder Risk Variance



	Total Risk		Systematic Risk		Unsystematic Risk	
Standardized Estimates	Financial Control Variables	+ Brand Equity Variable	Financial Control Variables	+ Brand Equity Variable	Financial Control Variables	+ Brand Equity Variable
ROA_t	-0.320^{a}	-0.313^{a}	-0.143^{a}	-0.141^{a}	-0.339^{a}	-0.332^{a}
ROA $Variability_t$	0.011^{ns}	0.010^{ns}	0.020^{ns}	0.020^{ns}	0.011^{ns}	0.009^{ns}
Market-to-Book $Ratio_t$	-0.054^{b}	-0.048^{b}	-0.009^{ns}	-0.007^{ns}	-0.062^{a}	-0.055^{a}
Size (in $Assets)_t$	-0.241^{a}	-0.239^{a}	0.028^{ns}	0.029^{ns}	-0.295^{a}	-0.293^{a}
$Leverage_t$	0.119^{a}	0.116^{a}	0.010^{ns}	0.009^{ns}	0.140^{a}	0.136^{a}
$Diversification_t$	-0.012^{ns}	-0.009^{ns}	-0.006^{ns}	-0.004^{ns}	-0.012^{ns}	-0.008^{ns}
Age_t	-0.122^{a}	-0.114^{a}	-0.106^{a}	-0.104^{a}	–	-0.103^{a}
Consumer-Based Brand $Equity_t$		-0.095^{a}		-0.060^{b}		-0.106^{a}
Industry Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	56.01 %	61.70 %	38.94 %	42.96 %	52.77 %	57.19 %
Incremental R^2 test p-value	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)

$Risk_{t+1} = \beta_0 + \beta_1 \cdot ROAt + \beta_2 \cdot ROA\ Variability_t + \beta_3 \cdot Market\text{-}to\text{-}Book\ Ratio_t + \beta_4 \cdot ln(Assets)_t + \beta_5 \cdot Leverage_t + \beta_6 \cdot Diversification_t + \beta_7 \cdot Age_t + \beta_8 \cdot CBBE_t + \beta_t$

Note: a – significant at $p<0.01$; b – significant at $p<0.05$; c – significant at $p<0.10$; ns – not significant.

TABLE 2:
Shareholder Risk Cluster Adjusted Robust Regression Dependent Variables: Total, Systematic and Unsystematic Risk

Brand Equity Influences the Level of Firm Risk

The estimation procedures used to predict debtholder risk explains almost 62.8 % of the variance in credit ratings (see Figure 1). This level of predictive power is very similar to those reported in similar financial studies. When CBBE is added to the equation the explained variance (R^2) increases by 5 %. Overall, this result indicates that financial markets view CBBE as a strong predictor of firms' ability to take on and service debt capital.

Figure 2 reveals a similar pattern regarding the incremental explanatory power that brand equity has in determining variance in ***total, systematic***, and ***unsystematic*** equity risk.

Table 2 summarizes estimates for our empirical models of equity holder risk, comprising estimates for all predictors, including customer-based brand equity, and separated by total, systematic and unsystematic risk.

All regression models exhibit strong predictive power, which is further increased by the inclusion of brand equity as a predictor. R^2 values reported for the total, systematic and unsystematic risk models (without CBBE) are consistent with those reported in existing financial studies. The inclusion of the brand equity variable significantly increases the R^2 by between 4 % and almost 6 %, further confirming that CBBE contains risk-relevant information for the financial markets. As expected, brand equity has a stronger impact in lowering unsystematic rather than systematic risk, as indicated by the estimated coefficient of –0.106 vs. –0.060.

In order to gain a more detailed understanding of the influence of brand equity on risk, we also examined – and contrasted – the strength of this association in down market and up markets. Our findings indicate that brand equity is particularly helpful in protecting the firm's returns from turmoil at economy and market level during equity market downturns. This finding supplies some empirical rationale for the widely observed phenomenon of investors seeking to invest in the stock of companies with strong brands operating in consumer markets during periods of economic uncertainty.

Brand Assets Clearly Matter for Risk Management

Overall, our findings provided new insights for understanding the influence that brand assets have on firm risk and indicate that market-based assets, such as strong brands, impact not only firms' returns, but also on their risk level. More specifically, brands can enhance firm value by providing firms with increased loyalty or allowing them to charge higher prices, and also by reducing the firm's risk. This is a critical component in linking marketing with firm value, because when firm risk is reduced, the net present value of the firm's discounted future cash flow increases, even if their level remains exactly the same.

» A one standard deviation increase in brand equity corresponds to a full two category improvement in the firm's credit rating. This translates into savings of almost USD 40 million per year in debt service alone. «

Our findings also demonstrate that brands influence both the ***vulnerability*** of cash flows, as reflected in evaluations of the risk to debt repayments, and the ***variability*** of cash flows, as reflected in stock return variations. While brand equity is strongly related to the firm's ***(total)*** equity risk, its effect on ***unsystematic*** risk is greater than its effect on ***systematic*** risk. This suggests that the idiosyncratic firm-specific risk-reducing effect of CBBE is stronger than its effect on insulating the firm from economy-level shocks.

Capital Cost Reductions Resulting from Brand Equity are Substantial

Interestingly, the estimates summarized on Table 2 can be used to calibrate the impact of brand equity on the cost of capital. Since Table 2 reports standardized estimates, our results indicate that a standard deviation increase in CBBE results on a 0.095 of a standard deviation decrease in ***total risk*** (or 5.1 % decrease), a 0.060 of a standard deviation decrease in ***systematic risk*** (or 3.9 % decrease) and 0.106 of a standard deviation decrease in ***unsystematic risk*** (or 5.9 % decrease). Using cost of capital data from Stern Stewart, comparing firms on the top and bottom 10 % of our CBBE data, we estimate a significant difference of almost 60 basis points (7.43 % vs. 8.00 %) on their respective capital costs.

Managerial Implications

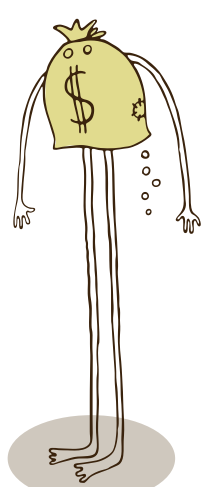
> ***Include capital cost reductions in pay-back calculations for brand building***
Capital cost reductions from brand assets should be included in brand building decisions. Investments in the firm's brand assets lead to reductions in the firm's cost of capital. Such savings should be included in pay-back calculations for brand-building investments. For instance, for the average firm on our study, a one standard deviation increase in brand equity (roughly 8 points on a 100-point scale) corresponds to a full two category improvement in the firm's credit rating. The average firm in our sample has USD 10 billion in long-term debt; a two category credit rating improvement (from the sample average of BBB+) corresponds to a 40 basis point reduction in the cost of capital. This translates into savings of almost USD 40 million per year in debt service alone.

> ***Point capital cost savings of CBBE out in negotiations for brand-building budgets***
When marketers attempt to persuade chief financial officers and others of the value of investments in the firm's brand assets, they should include reductions in the firm's cost of capital in their payback calculations and emphasize this "added value" of brand equity.

> ***Include CBBE information in financial reporting***
In addition, our findings have important implications for financial reporting regulations. Accounting principles suggest that firms' financial statements should contain all possible information that may be valuable to investors. The results show very clearly that information concerning firms' CBBE has risk-relevance above and beyond the value of financial accounting information contained in firms' balance sheets and income statements. Therefore, firms may want to voluntarily disclose brand equity information, such as the results of consumer brand equity tracking studies.

> ***Support the development of standardized measurement systems for brand assets***
To advance the integration of CBBE information in financial reporting, accounting regulators may want to consider the development of standardized reporting requirements regarding firms' intangible assets to help analysts and investors more accurately value firms' stock and debt. Marketing researchers can play an important role in the development of standardized measurement systems for assessing firms' brand assets.

> ***Include brand management in risk management strategies***
Finally, investments in creating and maintaining consumer-based brand equity are a direct way for managers to reduce risks that are idiosyncratic to the firm. Therefore, strategic brand management should be viewed as an additional tool when planning and executing firms' risk-assessment and management strategies. Our findings reveal that brand equity has a particularly strong role in reducing firm risk during stock market downturns. This has important implications for brand-building and maintenance expenditures during periods of economic contraction. In particular, it suggests that simply reducing brand-related expenditures during a recession (as is too often the reaction) will likely contribute to increasing, rather than decreasing, the firm's risk. •



FURTHER READING

Kamstra, Mark, Peter Kennedy, and Tek-Kin Suan (2001), "Combining Bond Rating Forecasts Using Logit," Financial Review, 37 (1), 75 – 96.

Keller, Kevin Lane (2003), Strategic Brand Management: Building, Measuring, and Managing Brand Equity, 2nd Ed., Prentice-Hall: Englewood Cliffs, NJ.

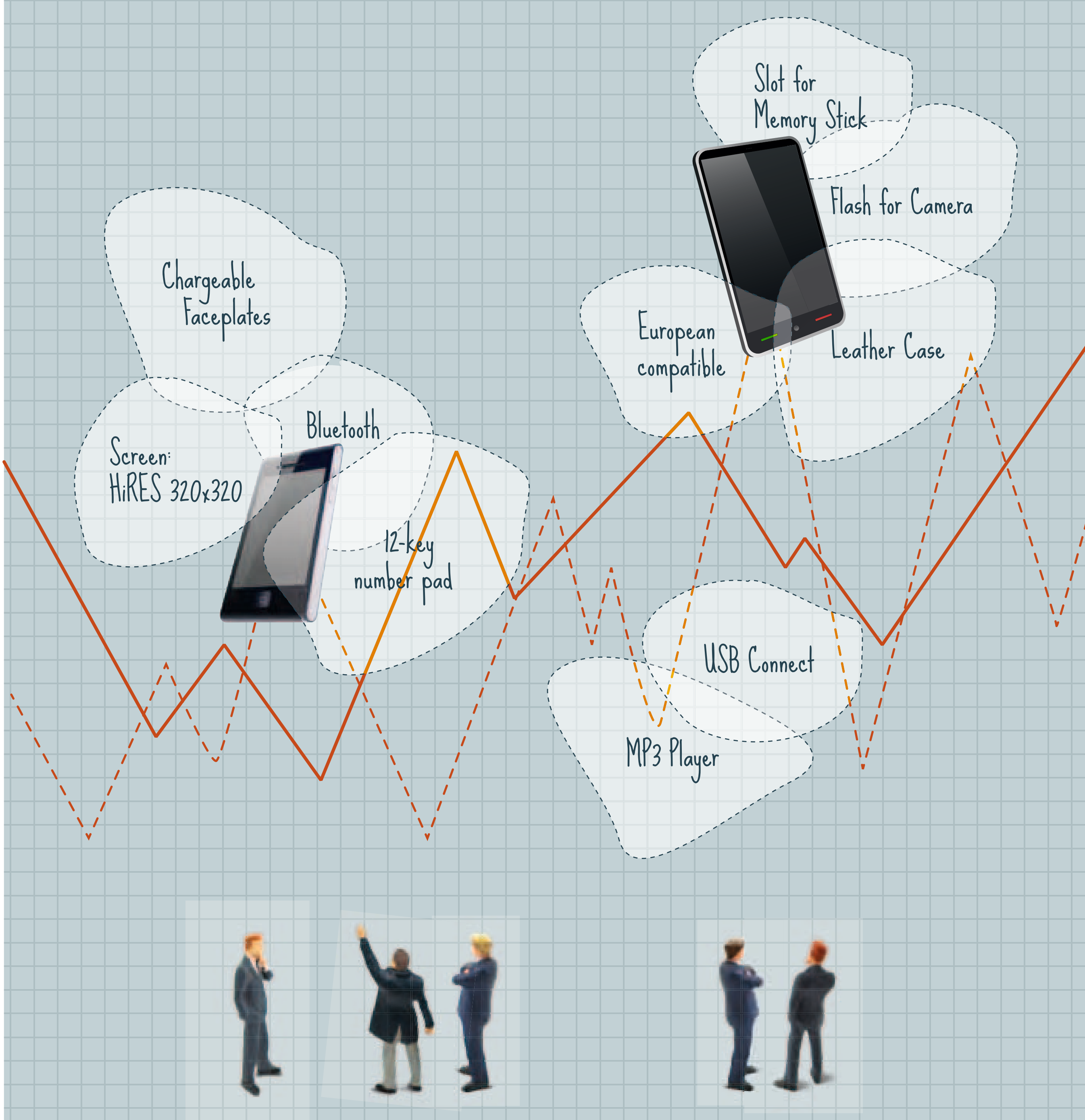
Keller, Kevin Lane (1993), "Conceptualizing, Measuring, and Managing Customer-Based Brand Equity," Journal of Marketing, 57 (1), 1 – 22.

Srivastava, Rajendra K., Tasadduq A. Shervani, and Liam Fahey (1998), "Market-based Assets and Shareholder Value: A Framework for Analysis," Journal of Marketing, 62 (1), 2 – 18.

KEYWORDS:

Consumer-Based Brand Equity, Firm Risk, Firm Returns, Shareholder Value, Marketing–Finance Interface

{ *New Methods* }



/// *Trading causes participants to converge towards a consensus on feature preferences.*

PREFERENCE MARKETS IN NEW PRODUCT DEVELOPMENT

Ely Dahan, Arina Soukhoroukova and Martin Spann

Preference markets address the need for scalable, fast and engaging market research in new product development. The Web 2.0 paradigm, in which users contribute numerous ideas that may lead to new products, requires new methods of screening those ideas for their marketability and preference markets offer just such a mechanism. For faster new product development decisions, a flexible prioritization methodology for product features and concepts is tested. It scales up in the number of testable alternatives, limited only by the number of participants. New product preferences for concepts, attributes and attribute levels are measured by trading stocks whose prices are based upon share of choice of new products and features. Benefits of preference markets include speed, scalability, flexibility, and respondent enthusiasm for the method.

THE AUTHORS

Ely Dahan,
Assistant Professor of Marketing,
UCLA Medical School,
Los Angeles, CA USA,
elydahan@gmail.com

Arina Soukhoroukova,
Research Associate,
University of Passau, Germany,
as@ideamarkets.com

Martin Spann,
Professor of Electronic Commerce,
Ludwig-Maximilians-University
Munich, Germany,
spann@spann.de

The article is an adapted version of *Dahan, Ely, Soukhoroukova, Arina and Spann, Martin (2010)*, "New Product Development 2.0: Preference Markets", Journal of Product Innovation Management, 27(7), 937-954.

The Challenges of "Product Development 2.0"

In an environment of accelerating technology and short product life cycles, one in which a plethora of product concepts and features proliferates, new product development teams need fast and accurate marketing research to filter out the most promising opportunities. Smartphones, video gaming systems, home entertainment, information appliances, and other durable goods require development teams to ***prioritize*** literally hundreds of design decisions. There is a need to bridge the front-end and design phases by narrowing many features and concepts down to those key, make-or-break success factors. This requires a fast prioritization methodology, one that scales up in the number of testable product features and concepts.

The quantity of new product concepts and features to be evaluated will steadily increase, driven by the Web 2.0 paradigm, in which users volunteer new product and feature ideas over the internet. This new form of "collaborative creativity" generates thousands of possibilities, and demands new methods of identifying the more marketable ideas, and screening out those with lower potential. In traditional market research, the more features or product concepts to be studied, the greater the number of participants and the cost and time required. Limits on the number of questions for participants derive from bounded rationality, respondent fatigue, and time constraints. Faced with too many questions, respondents may resort to simplifying heuristics, even with tasks involving as few as 10 – 20 product features.

Trading Stocks to Reveal Preferences

Scalable preference markets are a flexible new mechanism to test preferences for large numbers of new product features and concepts. Preference markets offer an ideal first-cut screening mechanism, thereby complementing other methods such as conjoint analysis and concept testing which perform better on a limited number of attributes and product concepts. By relying on the wisdom of crowds, preference markets identify

{Box 1}

HOW PREFERENCE MARKETS FOR NEW PRODUCTS WORK

1. Stocks represent product features (e.g., form: brick, flip or slide phone)
2. Stock price represents market share for feature (e.g., x % market share for a sat navi sold at $ 59)
3. Participants buy and sell stocks according to their expectations of a product features market share
4. Market mechanism aggregates trading behavior into market price

{Box 2}

BENEFITS OF THE METHODOLOGY INCLUDE

> Speed: it takes less than one hour per trading experiment
> Scalability: the question capacity grows linearly in the number of traders
> Flexibility: features and concepts can be tested simultaneously
> Fun for participants: respondent enthusiasm for the method
> High consistency and reliability across trading experiments and against independent surveys.

potential good and bad ideas. By engaging in stock trading, in which the price of each stock represents the degree of preference for a product attribute level, new feature or fully integrated product concept, participants reveal their own preferences and their expectations of others' new product preferences, and converge towards an equilibrium which captures the consensus view.

Previous research on prediction markets has used stock trading to forecast actual outcomes such as election results, movie box office takings, or sporting event outcomes. Preference markets, on the other hand, do not predict actual outcomes, nor are they based upon external information. Rather, they measure expectations of others' new product preferences, based upon individual self preferences combined with insights about others. While prediction markets typically run for weeks or longer, preference markets require only minutes, as there is no outside "news" to affect the market. Participants are presented with new product concepts and then trade securities representing the competing designs. In effect, traders place bets on those concepts which they expect to curry favor with their fellow traders. Box 1 gives an overview of the steps of a preference market mechanism for the development of a new mobile phone.

Applicability of Preference Markets at the Different Phases of New Product Development (NPD)

Preference markets can be applied during the four phases of new product development. In the early idea generation and concept selection phases, preference markets can narrow potential concepts and product attributes to a manageable number, focusing resources where they will yield the greatest marginal benefit. In the later detailed design and testing & launch phases, preference markets can help assess price sensitivity, detailed new product feature preferences, and optimal advertising and promotion. However, at these later stages (especially during testing & launch), preference markets are only a special case of prediction markets that forecast the market potential of a product prior to introduction. A primary distinction of preference markets in the latter NPD stages is that the concepts tested need not ultimately be launched, and actual outcome is not required as is the case for prediction markets. For example, an NPD team might use preference markets to test potential advertising campaigns, price points or distribution strategies prior to product launch. Only one option will be realized based on the new product pref-

Table 1:

PREFERENCE MARKETS AT KEY PHASES OF NEW PRODUCT DEVELOPMENT

	Idea Generation	Concept Selection	Detailed Design	Testing & Launch
Who? (Ideal respondents)	Cross-section of people in the market	Potential consumers; firm's employees	Target market members; designers & engineers	Target market members; company managers; channel
What? (Stock types)	Competing (i.e., mutually exclusive) ideas and attributes	Competing integrated product concepts	Mutually exclusive attribute levels at varying prices and performance	Final design at various prices; potential ads and promotions
How? (Market formats)	Subgroups of people trade overlapping subsets of rough ideas and attributes	Subgroups of people trade competing detailed concepts with varying prices	Traders focus on two or more attribute areas of interest with some overlap	Trade ads, channel options, and the product priced at different levels
Why? (Objectives)	Narrow many ideas and attribute levels to just a few	Rate or rank the most promising integrated concepts	Measure preference intensity and tradeoffs for features	Design optimal pricing, promotion and channel strategy

erences of the traders, but the lack of actual outcomes does not prevent preferences from being measured. Table 1 summarizes the conclusions about who should participate in preference markets, which stock types can be tested and how these markets could be implemented. Further, it provides information on the objectives of running preference markets at the four key stages of new product development.

From Table 1, we see that preference markets appear to be particularly beneficial in the early stages of NPD as a way of prioritizing design decisions and allocating resources. They complement other market research methods, such as conjoint analysis and virtual concept testing, which perform better with a limited number of attributes and concepts, and which are geared to individual preference measurement.

FIGURE 1:
Pictures of Features and Their Levels Used in the Studies:

6 Mutually Exclusive Smartphones (each of the 6 categories totals 100 %)

Blackberry 7100t $ 299	PalmOne Treo 650 $ 399	Blackberry 7510 $ 499	SonyEricsson P900 $ 699	Nokia 6800 $ 199	Samsung i700 $ 349

19 Binary Smartphone Feature Levels (each garners between 0 % and 100 % "share" at the feature price shown)

Color: Basic Black	Cell Network: Nextel
Color: iPod Gold	Cell Network Sprint
Color: iPod Silver	Cell Network: Cingular/AT&T
Color: iPod Metallic Blue	Cell Network: Verizon
Color: iPod Metallic Green	Form: Brick
Color: iPod Metallic Pink	Form: FlipPhone
Brand: Blackberry	Form: Slide Open
Brand: Motorola	Oper. System: Palm
Brand: Nokia	Oper. System: Microsoft
Brand: SonyEricsson	

30 Binary Smartphone Feature Levels (each garners between 0 % and 100 % "share" at the feature price shown)

Changeable Faceplates ($ 10)	Video Camera Phone ($ 79)	MiniKeyboard Input ($ 0)
Size: Reduce 5" to 3" ($ 40)	MP3 Player ($ 49) FM Radio ($ 25)	12-key number pad ($ 0)
Wt: Reduce 6oz to 3 oz ($ 36)	European compatible ($ 30)	Stylus / Touch Input ($ 30)
Upgade: Mono to Color ($ 99)	SLOT for Compact Flash ($ 15)	Bletooth ($ 49)
Screen: HiRes 320 x 320 ($ 55)	SLOT for Memory Stick ($ 15)	USB connect ($ 15)
Push e-Mail mode ($ 10)	SLOT for Secure Digital ($ 15)	WiFi wireless networking ($ 49)
GPS Mapping & Navigation ($ 129)	Memory Upgrade to 32 MB ($ 25)	Infrared ($ 5)
Camera: 1 Mpixel no zoom ($ 25)	Memory Upgrade to 64 MB ($ 50)	Chip: 166mhz 3x speed ($ 49)
Flash for Camera ($ 20)	Hands free auto kit ($ 50)	Battery: Upgrade 8hr to 24hr ($ 99)
Camera: 5 Mega Pixel 3 x zoom ($ 99)	E-Wallet ($ 25)	Leather case ($ 29)

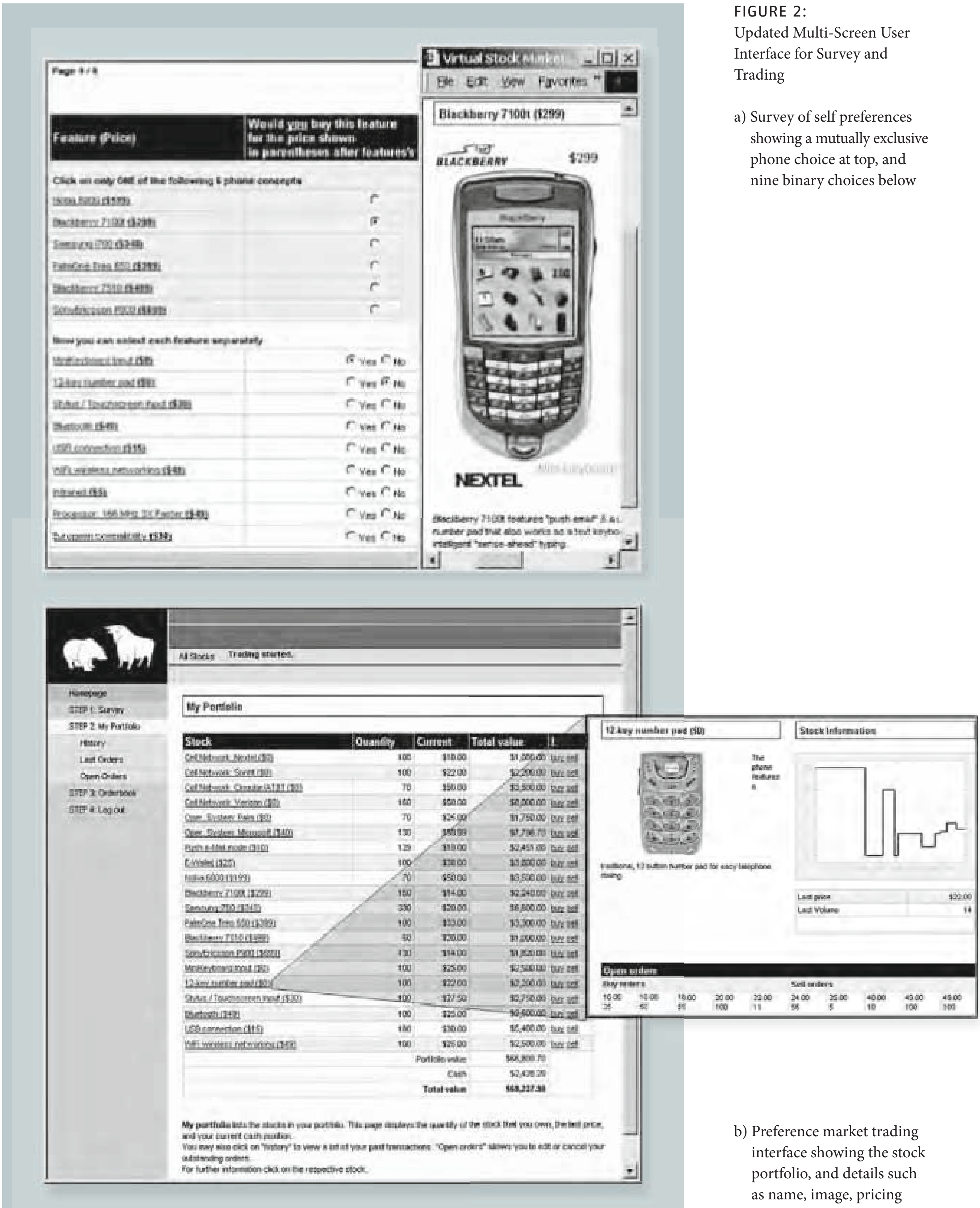


FIGURE 2:
Updated Multi-Screen User Interface for Survey and Trading

a) Survey of self preferences showing a mutually exclusive phone choice at top, and nine binary choices below

b) Preference market trading interface showing the stock portfolio, and details such as name, image, pricing history, and the order book

TABLE 2:
Comparison of Preference Markets with Conventional Methods

	User Design	Conjoint Analysis	Self Explicated	Preference Markets
Description	Individuals customize optimal products	Individuals rate, rank or choose feature bundles	Individuals rate the importance of unbundled features	Trader groups achieve consensus through trading
Advantages	Identifies optimal feature bundles from many combinations; engaging task	Quantifies trade-offs over a finite number of features; measures individual utility	Quantifies individual trade-offs over more features; easier task	Measures consensus preferences over many features and concepts; scalable; engaging, fun
Disadvantages	Does not measure trade-offs; setup costs can be high	Task difficulty, response error, complex analysis	Potential problem of "everything is important"	Group preferences only; simultaneous participation needed
Best Fit Applications	Customized goods; optimal bundles; Key feature go/no go's	Optimal design/price and positioning for a few key decisions	When conjoint is too difficult or costly, or too many features	Narrow many options, group consensus; when speed is key

Testing Preference Markets with MBA Students and Corporate Employees

Two studies were designed to check whether the anticipated advantages can be realized in real product development settings. The smartphone product category was chosen to test scalable preference markets, first with MBA students (116) at a major Western U.S. Business School in a laboratory-like setting, then with managers and engineers (63) at a multinational corporation in a field test. The test involved 56 different design and concept stocks (see Figure 1 on the page before for pictures of features and their levels).

The objective of the study was to test the tools used for the survey as well as some key aspects of preference markets: ***scalability, flexibility and learning***. In advance of trading, each participant completed (1) a self survey, as shown in Figure 2(a), to be compared with (2) a second survey of expectations of others. The stock trading user interface, depicted in Figure 2(b), provided traders with short descriptions and images and real-time trading information (see Figure 2a/b on page before).

The real experiment was conducted at a large U.S. firm's corporate headquarters, with over 60 % of participants accessing the market remotely from their offices. The remote participants learned how the experiment worked through a live, 15-minute video webcast with audio questions and answers. This experiment employed the same user interface and experimental design as the first study.

During the 50 to 60 minute duration of the experiments, traders attempted to maximize the value of their respective portfolios, including the market value of all stocks and cash. Participants can either buy or sell shares of stocks based on the comparison of the current market price of a stock and their assessment of the stock's true value. For example, if a participant thinks that the predicted market share for a feature (e.g., "operation system Palm") is too low (i.e., the current price for this stock at the market is too low), the participant can buy shares of this stock. The market pricing mechanism incorporates this participant's information, because buying shares increases the price of this stock.

Evaluation of Preference Market Data Compared to Survey Data and Other Forms of Market Research

> ***Trading stocks helps to converge towards a consensus***
In both studies, respondents are accurate in estimating each other's preferences. Whereas surveyed expectations of others are biased by participants' own preferences, these biases are overcome in the stock trading data by the market pricing mechanism. Further, trading stocks results in a significant amount of learning among traders. Specifically, traders update their beliefs about others based on the stock prices they observe. So, it appears that the process of trading causes participants to converge towards a consensus of opinion. The learning aspects of scalable preference markets could be particularly useful for product categories in which individual new product preferences are shaped by others, such as fashion goods, or those with network externalities.

> ***Trading stocks helps to reduce options to a manageable set***
Table 2 compares preference markets with other methods, and highlights their scalability. Preference markets complement other methods by narrowing a large number of potential product features and concepts to a manageable set that can be further analyzed at individual level using other approaches. Further, distinct benefits of preference markets over survey-type methods are interaction, competition, and learning among participants. More importantly, preference markets scale up in the number of respondents much more easily than surveys.

> ***Individual preference cannot be measured***
However, an important limitation of scalable preference markets is that they do not measure individual preferences. Our results demonstrate that markets achieve a consensus about expectations of average preferences, and do not provide insight about distinct individuals. To measure heterogeneity, methods such as conjoint analysis are better suited to the task (see Table 2 on page before).

> ***Trading software and infrastructure are required***
Implementation of preference markets in firms requires the firm, or outside consultants it may engage, to develop trading software and infrastructure. Respondents need to be taught the mechanics of trading and the underlying meaning of each stock. The key outcomes, the stock prices themselves, become known to all traders immediately, so data security may pose a problem. And the market mechanism itself pulls no punches; the consensus view, whether positive or negative, becomes instantly transparent. Champions of specific product ideas may not readily accept negative outcomes, a challenge with any market research, but one which might be exacerbated by the immediacy of preference markets.

> ***The method works and is enjoyable for participants***
Scalable preference markets perform well with students and in the field, with managers and employees trading in an efficient manner. The majority of traders mastered the user interface and were able to trade remotely from their offices. In a post survey, respondents indicated their relative preference between surveys and stock trading. The results are shown in Figure 3.

» Respondents express a strong preference for trading stocks over answering surveys. And they learn from each other while trading, updating their expectations in a way that converges towards a clearer consensus. «

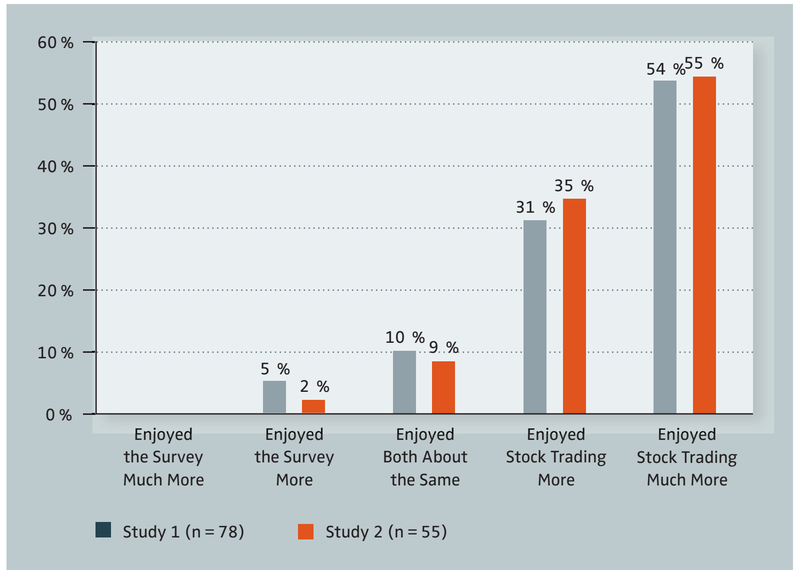


FIGURE 3:
Which Method Did Respondents Prefer: Survey or Stock Trading?

TABLE 3:
"Triage" of Smartphone New Product Preferences as of 2005

Preferred by a Majority	Heterogeneous Preference	Rejected by a Majority
> Small Size & Weight (3 4")	> Oper. System (Microsoft rising)	> Hands-Free Operation
> Color Display (320x240+)	> Memory Capacity & Battery Life	> Bluetooth, Infrared, USB
> Camera (quality rising)	> Mini Keybd. vs. 12 key vs. Stylus	> GPS (but rising)
> Verizon Cell Network	> WiFi Capability and Push Email	> FM radio, Video Camera
> Black or Silver Phone	> Slot types (SD rising)	> Changeable Faceplates
	> MP3 vs. TV	> European Compatibility
	> Phone Brands and Models	> e-Wallet

There was near-unanimity in preference for stock trading over surveys. Scalable preference markets differ from surveys in that they include elements of competition, interaction, gaming, learning, and the opportunity to gain recognition and win prizes, which might explain the strong result. In addition, 75 % of the industry experts in Study 2 expressed a willingness to participate in a preference market again.

Evaluation of Preference Market Data Compared to Real Data

Validating methods with actual, external data poses a challenge in new product development research, as many of the ideas tested may not exist. And even in the case of existing features and concepts, access to accurate data may be limited. Instead, new product releases and comparisons to prior market research studies offer at least some degree of validation of the accuracy of the results. Therefore, results from the survey were compared to real product developments of mobile phones at the time of the experiments.

Looking across both experiments, several clear trends emerge in the data. Five smartphone traits were preferred by the majority, even at a price premium, in virtually every survey and preference market (see Table 3). These five features can be interpreted as "must haves", while ten others were consistently rejected by over two thirds of respondents. The rejected smartphone aspects may represent low-priority, or niche, design considerations. From a marketing perspective, the features in the middle represent differentiation opportunities that merit further study. Scalable preference markets facilitate the "triage" of customer preferences; design teams may prioritize opportunities and focus their product development efforts.

Interestingly, Nokia, Motorola, and BlackBerry launched smartphones in 2006 that largely fit Table 3 and appeared to be converging towards a dominant design. On January 27, 2007, Apple shook up the smartphone market by humanizing the dilemma of keypad vs. mini-keyboard vs. stylus user interface with its innovative touch screen interface, which has the added benefit of greater screen real estate in many applications. The iPhone included all of the "preferred by a majority" features identified by our studies, except for the cell network for which Apple opted to strategically partner with AT&T, and, with the exception of Bluetooth, left out all of the features "rejected by the majority." Thus, the data offers a reasonable degree of external validity, leading to the conclusion that preference markets can be quite useful to new product development teams in measuring product concept and attribute preferences as part of NPD.

Conclusion: Can Scalable Preference Markets be Recommended in Practice?

Scalable preference markets offer an effective tool for product development teams, especially when large numbers of design decisions need to be prioritized. For example, the top 5 – 10 stocks may merit further study via conjoint analysis. The number of features and concepts that can be tested scales in the number of traders, with one trader per stock representing a minimum. Respondents express a strong preference for trading stocks over answering surveys. And they learn from each other while trading, updating their expectations in a way that converges towards a clearer consensus.

However, the evidence presented is based on a single product category. It remains to be seen how well the method will translate in contexts in which the innovation type, product type, or customer characteristics vary. Considering the scalability, flexibility, speed, and attractiveness to respondents of preference markets, the authors anticipate that the methodology will gain adherents over time, enabling firms and their product development teams to prioritize the features and concepts that address the consensus opinions of the market. Preference markets may perform in a surprisingly robust way, much as heterogeneous investors do in financial markets, in evaluating numerous industries and firms. •

FURTHER READING

Dahan, Ely and John R. Hauser (2002), The Virtual Customer, Journal of Product Innovation Management 19 (5): 332 – 53.

Surowiecki, James (2004), The Wisdom of Crowds, New York: Doubleday.

Spann, Martin and Bernd Skiera (2003), Internet-Based Virtual Stock Markets for Business Forecasting, Management Science 49 (10): 1310 – 26.

KEYWORDS:

Product Testing, New Product Development, Virtual Stock Markets, Product Design, Preference Markets, Information Markets, Scalable Market Research

{ New Strategies }

/// Sorting out the "wrong" products or brands may result in reduced customer satisfaction.

Reducing Assortments without Losing Business
KEY LESSONS FOR RETAILERS AND MANUFACTURERS

Laurens Sloot and Peter Verhoef

To gain efficiencies in the supply chain, retailers regularly consider which items of products or brands they can delist. However, increased efficiency is not granted when products are dropped. Choosing the "wrong" products or brands may result in reduced customer satisfaction, lost category sales, or increased store switching behavior. The detergent assortment reduction at a Dutch retailer showed that sales losses can only be observed in the short run and that the reduced assortment is more attractive, especially to new buyers in the category. A survey across multiple categories revealed that negative effects of delisting are less risky for weaker brands and utilitarian products. Retailers are well-advised to be cautious with dropping strong, hedonic brands and use a set of criteria to make the best delisting decisions. Manufacturers should apply approaches depending on the strengths of their brands when confronted with an impending delisting.

The Boon and Bane of Delisting Products

To gain efficiencies in the supply chain, retailers regularly consider which items of products or brands to delist. There are several arguments why assortment reductions are necessary from time to time.

> In many cases, assortments that are too large confuse rather than delight customers. Too many products within a product category may lead to increased search effort (time and perceived difficulty) and can even result in consumers "surrendering" and leaving the shop without making a purchase. To keep an assortment up to date and to adopt innovations without it becoming too large, it is necessary to regularly delist products or brands.

> Some retailers (e.g., Wal-Mart, Home Depot, Gap) are now considered strong brands themselves and have developed successful store brands. These retailers' assortments, in addition to other factors such as their price and service level, represent an important point of differentiation. For example, one Dutch retailer delisted hundreds of national brands because it wanted to create more shelf space for its profitable, distinctive store brand.

> Since the mid-1990s, many retailers have adopted a category management model that assigns specific category roles to each product category. For example, a service retailer may decide to lower the number of premium brands it offers in a product category

THE AUTHORS

Laurens Sloot,
Managing Director of EFMI Business School and Associate Professor of Retailing,
l.m.sloot@rug.nl

Peter Verhoef,
Professor of Marketing,
p.c.verhoef@rug.nl,

both at the University of Groningen, Netherlands.

The article is an adapted version of *Sloot, Laurens N.; Verhoef, Peter C. (2008)*: „The Impact of Brand Delisting on Store Switching and Brand Switching Intentions", Journal of Retailing, Vol. 84 No. 3, pp. 281 – 296 and *Sloot, Laurens M., Peter C. Verhoef en Philip H. Franses (2005)*: "The impact of brand equity and the hedonic level of products on consumer stock-out reactions." Journal of Retailing 81 (1), pp. 15 – 34.

because it has changed the category role from destination to a routine, thus making the category less important in the overall retailers´ positioning.

> Further, retailers can exert buying power over suppliers by threatening to delist brands if buying conditions are not improved. They delist brands to punish suppliers who do not accept the stipulated conditions. Although some moral issues surround this topic, retail boycotts of individual brands are no longer exceptions. For example, the UK retailer ASDA refused to stock the Procter & Gamble brand Charmin, and the German retailers Edeka and Metro delisted some national brands because they were unsatisfied with the pricing and distribution policy of those manufacturers.

However, increased efficiency is not guaranteed when products are delisted. For instance, strong brands might be more critical to remove than less well-known brands and reactions on delisting functional products might be different from more hedonic brands. Choosing the "wrong" products or brands may result in reduced customer satisfaction, lost category sales, or increased store switching behavior. This is what happened to a large national grocery retailer in Austria, which delisted a high-scale regional sausage brand (***Neuburger***) because the manufacturer did not accept the price pressure exerted by the retailer. A small but determined group of ***Neuburger***-fans called for a boycott against the chain and fervently demanded the relisting of the brand. The "David and Goliath" scenario attracted a good deal of attention and received extensive media coverage. Within a short space of time, the retailer was forced to reintroduce the brand (accepting the conditions of the manufacturer) to prevent increased boycotts and further damage to its image.

Therefore, if assortment reductions shall prove to be a boon and not a bane, it is necessary to analyze possible consumer reactions and carefully consider which products and brands should best be delisted.

Effects of Assortment Reductions

Two studies provide new insights on effects and reactions on reducing assortments. This involved tracking actual changes in category purchase behavior by old

{ Box 1 }

EXPERIMENT: REDUCING THE ASSORTMENT OF DETERGENTS BY 25%

The study was conducted in close cooperation with a major Dutch retailer. We used customer loyalty card data from over 25,000 households in two test stores and two control stores to assess the ***short-term and long-term category sales effects of an assortment reduction.*** The retailer aimed to save costs in the supply chain and reduce complexity by lowering the number of items in various categories, particularly those defined as "routine categories".

The retailer used to offer 150 different detergent items in their assortment. Despite this large number of items, this category performed below its fair share compared with a price-aggressive competitor offering only approximately 80 items in its detergent assortment. Hence, the retailer decided to remove 37 of its items from the total of 150. The removed items constituted 25 % of the total number of items in the category and 14 % of category sales.

Category space was held constant by giving the remaining items more shelf space and keeping the overall structure (e.g., location of items on the shelf) of the presented assortment constant. Furthermore, no new items were introduced during the test.

Sales data before and after the assortment reduction were collected from two test stores and two control stores. ***Consumer perception data*** were collected in the two test stores before and after the assortment reduction occurred.

On the basis of the outcomes of this project, the retailer decided whether the assortment reduction would be rolled out nationwide and, if necessary, which adaptations it needed to make.

and new customers, as well as their perceptions of assortment variety and search time (see Box 1). An additional survey investigated consumer reactions on the delisting of different types of brands.

The assortment reduction experiment had the following results:

Short-term losses decrease over time

The assortment reduction led to significant sales losses of about 20 % in the short term. However, these losses gradually disappeared over the first 12 weeks and only minor, non-significant, sales losses were found in the following weeks. The short-term sales losses were mainly caused by former buyers of delisted items. Former non-buyers of delisted items did not show significant changes in detergent purchases in the post-reduction period compared with the pre-delisting period. On the other hand, the "cleaned-up" assortment attracted more new detergent buyers than the former assortment (see Figure 1). This finding confirms that too much choice may actually distract consumers from buying the product or may cause consumers to buy the product at a competing store.

The perceived assortment variety does not change

Consumer survey data in the test stores showed that perceived assortment variety among consumers did not change after the assortment reduction occurred. This indicates that even a large cut of 25 % of the items does not necessarily lead to lower choice perceptions among detergent buyers. Comparable results were found in studies that were conducted in product groups like cosmetics and bread fillings.

The "cleaned-up" shelf lowers search costs among buyers

The detergent shelf was evaluated as significantly better in terms of perceived search efficiency by detergent buyers in the after-reduction group than the before-reduction group (4.1 versus 3.7 on a 1 - 5 scale). This finding is confirmed by the results for actual search time in front of the detergent shelf, which demonstrate that the after group used significantly less time to buy the first detergent item than the before group (14 seconds versus 20 seconds).

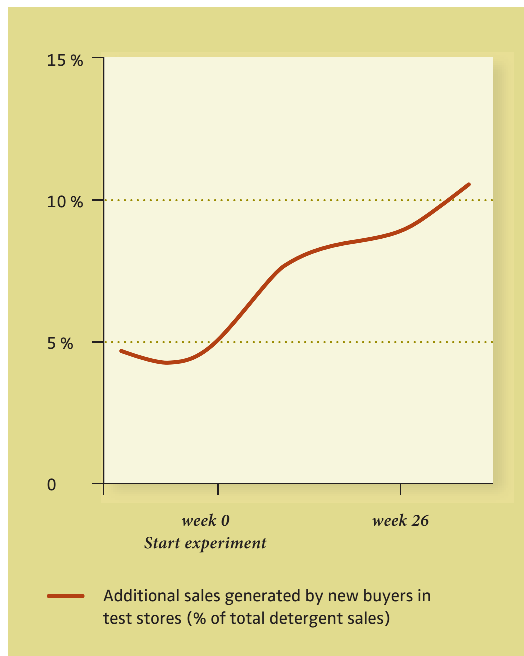


FIGURE 1:
Development of Category Sales of New Buyers in Test Stores, Corrected for Control Stores

The reduced assortment is more attractive

Assortment satisfaction increased after the assortment reduction. Further, the stores where the assortment reduction was implemented attract more new buyers to the category.

Consumer reactions depend on the type of product or brand

Typical consumer reactions to the dropping of different brands constituted the focus of study 2 (Box 2). Because brands differ in terms of brand equity, we investigated whether consumers react differently to a delisting of a strong brand (high-equity brand) compared to the delisting of a weak brand (low-equity brand).

» For most retailers, delisting strong brands will have negative sales effects, especially in the short term, and will create customer dissatisfaction «

{Box 2}

INVESTIGATION OF DELISTING IN MULTIPLE CATEGORIES

In a survey, we interviewed a total of 1,213 consumers directly after they purchased a specific product at 16 stores of four competing major Dutch retailers. The supermarket concepts in half of the stores were price oriented, while the other half were service oriented. We asked consumers about their reaction if the retailer would (hypothetically) delist the brand they had just purchased. The interviews were limited to brands in ten pre-selected product groups, consisting of utilitarian products (such as detergent, toilet paper and margarine), as well as hedonic products (such as beer, cola and coffee).

Most consumers indicated that they would stay loyal to the supermarket if it delists their primary brand. However, on average 12 % of the consumers indicated that they would visit the store less frequently or stop if it delists one of its primary brands. In the case of a high-equity (= strong) brand delisting, this percentage increases to 17 %, while it is only 8 % for low-equity (= weak) brands. Furthermore, consumers' reactions to a brand delisting also differ depending on the product category. In utilitarian product groups, such as toilet paper, detergent or frozen vegetables, only 5 % of consumers indicated that they would visit the store less frequently following a brand delisting (see Table 1). This percentage is much higher for brand delistings in hedonic product categories, such as beer, cola or cigarettes. In these product groups, about a quarter of the consumers indicated they would visit the store less frequently if their primary brand were to be delisted.

Key Lessons for Retailers

The examples mentioned before show that delisting products is risky. Nevertheless retailers need to be critical as assortments seem to become cluttered over time and reducing assortments is a necessity for the above-mentioned reasons. However, retailers should apply the following recommendations.

> ***Be proactive and reduce assortments on a regular basis***
First of all, it is important to recognize that extensive assortments lead to higher costs in the supply chain, so why wait with reducing assortments until a new product introduction needs shelf space? It is better to use a clean-desk policy and just remove 2 % or 3 % of the items that do not clearly add value every time that a new shelf planogram is made (usually 2 or 3 times per year).

> ***Be careful with delisting strong or hedonic brands***
Consumers are very sensitive to delisting of high-equity brands in hedonic product categories, so retailers should be careful with this part of the assortment. This is particularly true for service-oriented offers, as these customers are generally more critical towards reductions. Further, when reducing assortment, be aware that consumer react more strongly to a total brand reduction then a reduction of several varieties and/or formats of that brand.

> ***Use several economic criteria to decide about delisting***
When starting the reduction process, segment the assortment within the category in more or less homogeneous sub-segments and ideally look for products that could substitute each other. If a product is really unique in terms of brand equity, product function or price level it probably serves an important function and should not be reduced. Then list the products that could be delisted and evaluate the gross margins of each of the products. Products that still add value in terms of turnover and gross margin might stay in the assortment. Other products can be delisted or could be used to renegotiate with manufacturers to improve their profit. In this way, retailers can improve their profit in two ways. First, because reducing items leads to lower supply chain costs and second, because better conditions can be negotiated with manufacturers.

	Low-equity brand delisting	High-equity brand delisting
Utilitarian product groups > frozen vegetables > rice > deodorant > margarine > toilet paper > detergent	5 % of consumers indicate that they will visit the store less frequently	8 % of consumers indicate that they will visit the store less frequently
Hedonic product groups > beer > cigarettes > cola > sauce > coffee	8 % of consumers indicate that they will visit the store less frequently	26 % of consumers indicate that they will visit the store less frequently

TABLE 1:
Consumer Reactions Toward a Brand Delisting

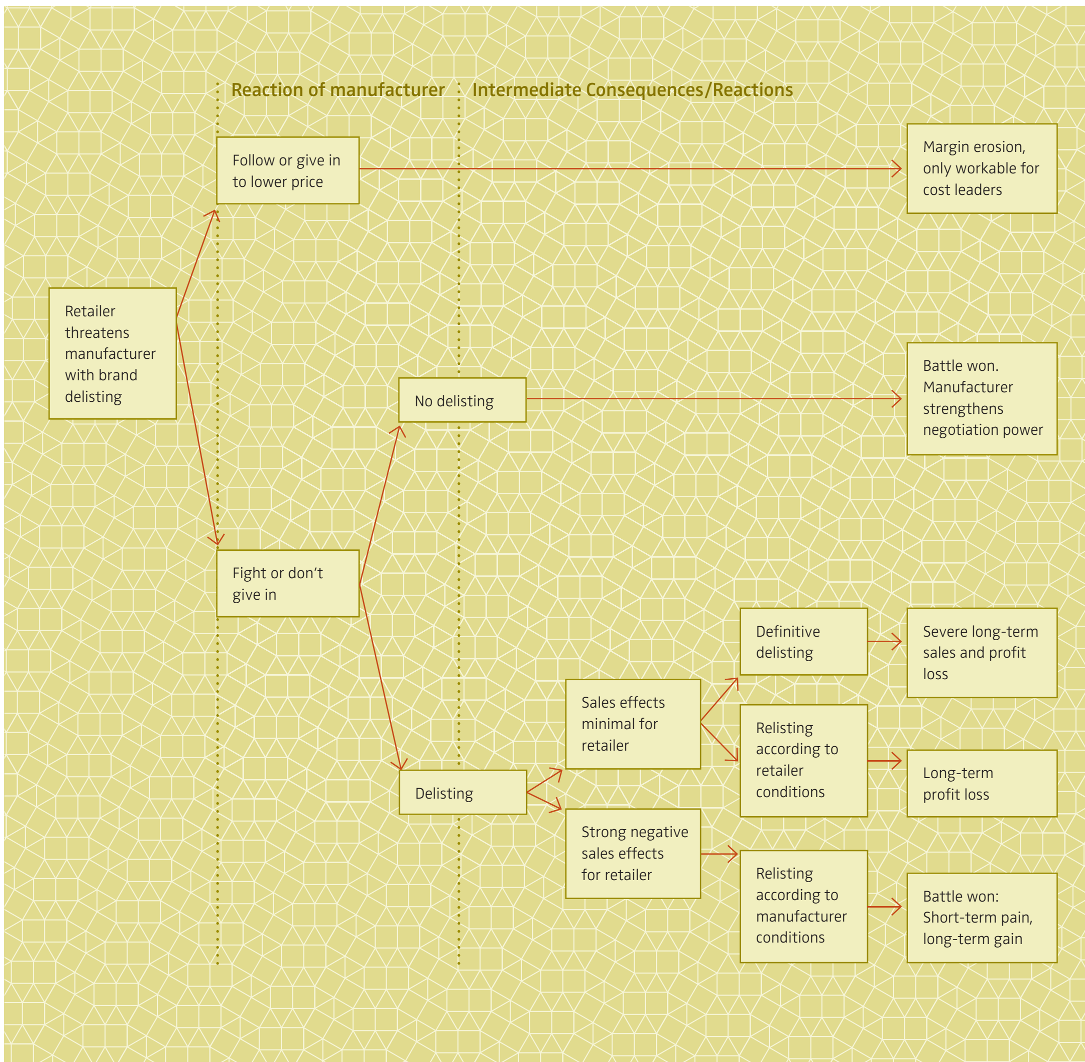
> ***Short-term sales effects can be misleading***
Be aware that short-term effects of reductions are more negative than long-term ones. The time span for analyzing these effects of an assortment reduction must be long enough to include long-running effects. For example, in a category like detergents, a time span of 12 weeks would be sufficient. In other categories, such as soft drinks, beer or other frequently purchased products, the time span can be shorter (e.g. 6 weeks) in order to estimate long-term effects. Short-term effects can be partially offset by in-store information on good alternatives for the removed items.

Key Lessons for Manufacturers: Fight or Give in?

A very relevant question for brand manufacturers is how they should react when faced with a brand delisting threat by the retailer. Figure 2 (next page) shows possible reac-tions of manufacturers and their short and long-term consequences in a regular negotiation scenario: a brand manufacturer wants to increase its price by 3 %, for example due to cost price increases of raw materials, and a retailer refuses to pay extra for the brand. In some cases this can lead to a situation where a retailer threatens to delist or actually delists the manufacturer's brand. In the Netherlands, this situation occurred with famous brands, such as Heineken and Coca-Cola. Of course, you can make concessions as a manufacturer and forfeit the price increase, however, in that case the manufacturer's margin would suffer. The manufacturer can also choose to fight, at the risk of the brand losing distribution for a shorter or longer period of time. In this scenario, the retailer has to decide to delist or not to delist the brand. In case of a brand delisting,

» It is better to use a clean-desk policy and every time that a new shelf planogram is made. «

FIGURE 2:
Retailers' Reactions to Brand Delisting



the retailer may experience negative consumer reactions and both the retailer and manufacturer would lose out. A further possibility is that the retailer delists the brand and experiences almost no negative effects. In turn, the manufacturer might decide to give in to the retailers' demands to reassure distribution at the retailers' stores. In that case, the manufacturer has lost the battle. The following recommendations should help to find the best negotiation strategy for manufacturers when a retailer wants to improve its margin at their expense.

» For most retailers, delisting strong brands will have negative sales effects, especially in the short term, and will create customer dissatisfaction «

> ***Keep building strong brands***
The best strategy against brand delisting is to build a strong brand. For most retailers, delisting strong brands will have negative sales effects, especially in the short term, and will create customer dissatisfaction. In an era where consumers become more powerful through social media, retailers definitely do not want unsatisfied and heavily disappointed customers who are unable to find their favorite brand.

> ***Understand the strength of your brand***
The worst reaction is that a manufacturer follows the retailer and lowers the buying price. This is ultimately devastating for the brand, as margin erosion will lead to lower investments in branding. The net end result will be a brand delisting in the next three to five years, as brand equity weakens even further. For weak brands, giving in seems to be the only alternative when faced with a brand delisting. They should strive to remain an attractive partner for retailers by providing good margins. Moreover, they could strive to establish closer relationships and also aim to produce private labels. One key prerequisite is that the manufacturer become very efficient.

> ***Be proactive and cooperate with key retailers***
Manufacturers should be as pro-active as retailers. They must stay up to date with the latest category developments and aim to understand the drivers behind retailers' assortment decisions. Based on this sound understanding and extensive consumer insights, they should aim to develop category plans. This should occur in collaboration with retailers, which guarantees them a leading role in the category's development in the coming years. •

FURTHER READING

Boatwright, Peter M. and Joseph C. Nunes (2001), Reducing Assortment: An Attribute-Based Approach. Journal of Marketing 65 (July), 50 – 63.

Broniarczyk, Susan M. and Wayne D. Hoyer (2005), Retail Assortment: More ≠ Better. In: Retailing in 21st Century, Manfred Krafft and Murali K. Mantrala, eds., Springer Verlag, Berlin, 225 – 238.

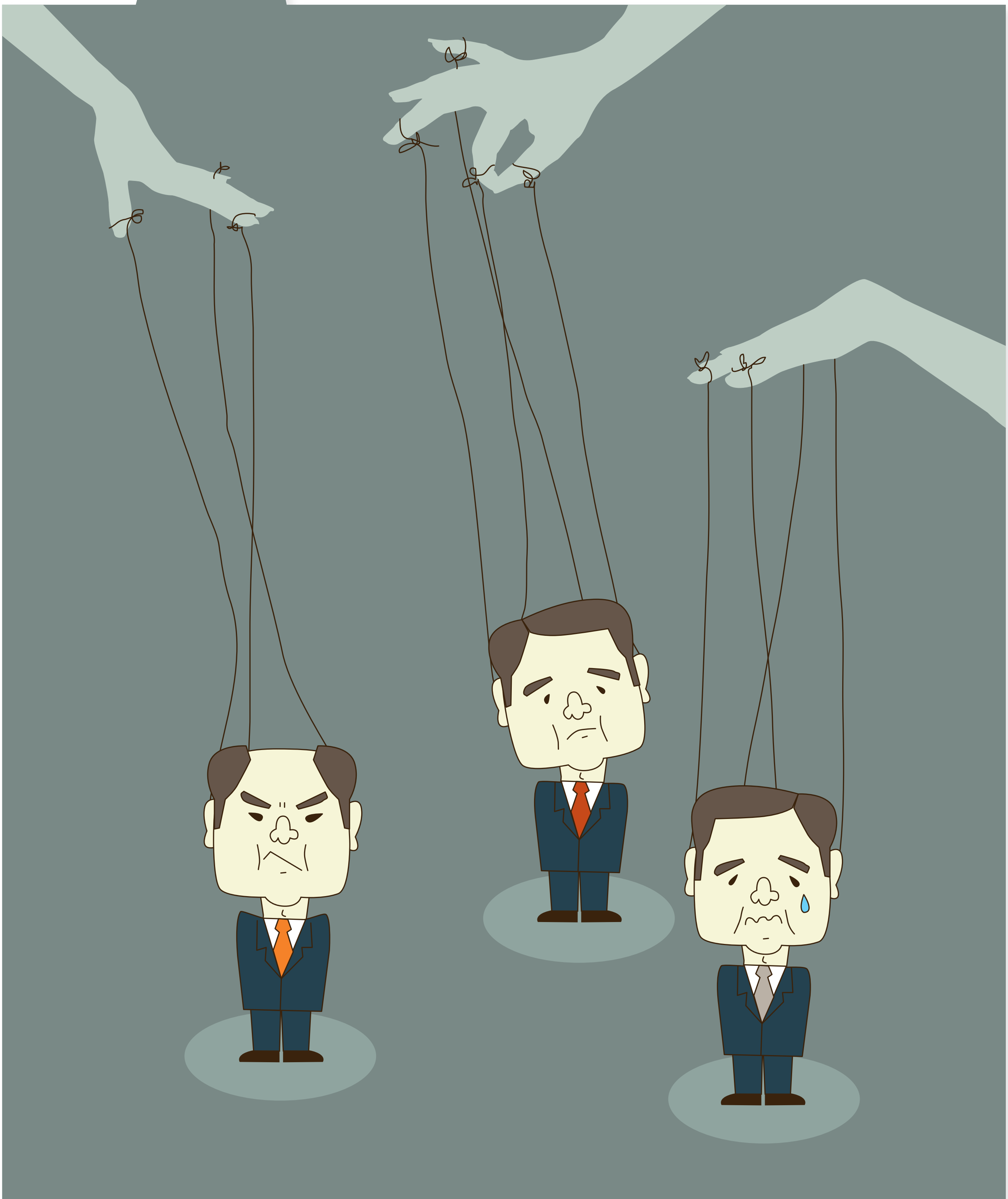
Drèze, Xavier, Stephen J. Hoch and Mary E. Purk (1994), Shelf Management and Space Elasticity. Journal of Retailing 70 (4), 301 – 326.

Iyengar, Sheena S. and Mark Lepper (2000), When Choice is Demotivating: Can One Desire Too Much of a Good Thing? Journal of Personality and Social Psychology 79 (December), 995 – 1006.

KEYWORDS:

Assortments, Assortment Reduction, Delisting, Consumer Decision Making, Category Management, Shopping Behavior

{New Strategies}



/// *Mere compliance has a mainly negative impact on employee brand-building behavior.*

Turning Employees into Brand Champions: LEADERSHIP STYLE MAKES A DIFFERENCE

Felicitas M. Morhart, Walter Herzog and Torsten Tomczak

How can managers elicit brand-building behaviors on the part of frontline employees? When comparing brand-specific "transactional" and "transformational" leadership styles, the latter clearly outperforms the former. Transactional leaders influence followers through a process of compliance, leading to increased turnover intentions and a decrease in in-role and extra-role brand-building behaviors. In contrast, brand-specific transformational leaders influence followers through a process of internalization, leading to decreased turnover intentions and an increase in in-role and extra-role brand-building behaviors. When combined, however, a medium level of transactional leadership maximizes the positive effects of transformational leadership.

THE AUTHORS

Felicitas M. Morhart,
Assistant Professor of Marketing at HEC Lausanne, Switzerland,
felicitas.morhart@unil.ch.

Walter Herzog,
Assistant Professor of Marketing,
WHU–Otto Beisheim School of Management,
walter.herzog@whu.edu.

Torsten Tomczak,
Professor of Marketing,
University of St. Gallen, Switzerland,
torsten.tomczak@unisg.ch.

This article is an adapted version of *Felicitas M. Morhart, Walter Herzog, Torsten Tomczak (2009)*: 'Brand-Specific Leadership: Turning Employees into Brand Champions', Journal of Marketing, Vol. 73 (September), pp. 122 – 142 and it is published with the permission of the American Marketing Association.

Contact Personnel´s Role for Service Brands

Imagine a typical scene in a Starbucks café: teenagers, young mums, students, and professionals are sitting in cosy chairs, reading, talking, and working. The "baristas" are busy serving customers at the counter with a warm smile and take the time to have a friendly chat, while preparing their customers' preferred drinks which they remember from last time's order. This is Starbucks' famous "third place" experience – feeling at home although you are not – which is mainly created by the dedicated staff.

This example shows that employee performance plays a vital role for the success of a service brand. Unlike pure product brands, where consumers' perceptions of a brand derive predominantly from a product's tangible features, customers' perceptions of a service brand depend highly on the behavior of frontline staff.

Thus, the task of stimulating employees to build and strengthen an organization's brand image – that is, motivating them to act as "brand champions" – is a challenge for service businesses in many industries. The question of how to promote brand-supportive behaviors on the part of frontline workers becomes increasingly relevant, which underlines the importance of a professional "internal brand management." Among other inner-organizational variables, supervisory behavior is assumed to be one of the key driving forces in this effort.

How Frontline Employees Build Brands in the Minds of Customers

Customer experiences with frontline personnel have a strong impact on the perception and image of brands, especially in the field of services. Ideally, the contact persons act as ''brand ambassadors'', ''brand champions'', or ''brand evangelists'' and transform brand vision into brand reality. ''Employee brand-building behavior'' goes beyond employees' delivering high service quality. It is their contribution (both on and off the job) to an organization's customer-oriented branding effort which is reflected in various forms of behaviors:

Retention refers to employees' upholding their professional relationship with the corporate brand and its customers. In service business, a firm's ability to maintain stability in its customer contact staff is crucial: frontline employees are a service brand's humanization which enables customers to form an emotional connection to it. Long-lasting relationships are likely to spark feelings of closeness, affection, and trust of customers toward brand representatives, which pays into a brand's competitive advantage. However, when customers are confronted with ever-changing contact personnel, they will struggle to develop such a valuable relationship with the corporate brand.

In-role brand-building behavior refers to frontline employees consistently and dependably meeting the standards prescribed by their organizational roles as brand representatives (either written down, in behavioral codices, manuals, display rules, etc., or unwritten). Specifically in the service context, customers' brand experience depends on frontline employees' behavior. Thus, it is crucial that representatives treat customers in a way that is consistent with the brand promise that the organization conveys through its public messages.

» Brand-specific transformational leadership is more effective in enhancing brand-building behaviors among employees than brand-specific transactional leadership. «

Extra-role brand-building behavior refers to employees' discretionary actions going beyond the prescribed roles for the good of the corporate brand. Of most interest in terms of branding efforts toward customers are participation (on-the-job) and positive word-of-mouth (off-the-job). First, employees who actively participate in brand development (e.g., by internally passing on branding-relevant customer feedback from customer touch points) provide a company with high-quality input for its brand management. Second, employees' personal advocacy of the organization's products and services outside the job context is a credible form of advertising for actual and potential customers.

Leadership Styles and Frontline Employees' Brand-Building Behaviors

In internal marketing and brand building, the role of leaders has proven to be essential. Therefore different leadership styles are expected to have an impact on the aforementioned brand-building behaviors of frontline employees. In leadership research, two generic leadership philosophies are discussed: transactional and transformational leadership. Transactional leaders act differently from transformational leaders and activate different psychological processes on the part of their employees, which in turn trigger different brand-building efforts.

Brand-Specific Transactional Leadership (TRL)
TRL is founded on the idea that leader-follower relationships are based on a series of exchanges or implicit bargains in which followers receive certain valued outcomes on the condition that they act according to their leaders' wishes. Typical manifestations of a transactional leadership style are ''Contingent Reward Systems'' and ''Management by Exception''.

> ***Contingent Reward*** refers to a leader clarifying expectations for followers and offering recognition when goals are achieved. Rewards are contingent on effort expended and performance level achieved. In a branding context, it refers to specifying behavioral standards for appropriate exertion of followers' roles as brand representatives and offering rewards when role-expectations are met.

> *Management by Exception* describes a leader monitoring and reprimanding followers for deviances from prescribed performance standards, as well as taking immediate corrective action against poor performance. In a brand-specific context, Management by Exception means clarifying what constitutes ineffective performance of a brand representative and punishing for being out of compliance with standards. This implies closely monitoring for deviances, mistakes, and errors and then taking corrective action in case they occur.

Brand-Specific Transformational Leadership (TFL)

TFL implies aligning followers' values and priorities with the organization's goals in order to accomplish higher-order objectives. TFL is believed to surpass the impact of TRL on follower performance in that transformational leaders elicit extra-role behaviors in addition to in-role behaviors from followers. Typical behaviors reflecting a transformational leadership style in general, and in brand building in particular, are:

> *Charisma (Idealized Influence)* is the degree to which the leader behaves in admirable ways and causes followers to identify with him or her. In a branding context, it means acting as a role model in terms of authentically "living" the brand values.

> *Inspirational Motivation* refers to a leader's ability to create a sense of collective mission among followers by articulating a compelling and differentiating brand vision, as well as arousing personal involvement and pride in the corporate brand.

> *Intellectual Stimulation* means that a leader provides followers with challenging new ideas that are supposed to stimulate rethinking of old ways of doing things. The leader makes followers rethink their jobs from the perspective of a brand community member, as well as empowering and helping followers to interpret their corporate brand's promise and its implications for work in their individual ways.

> *Individualized Consideration* refers to coaching and mentoring while trying to assist each individual in achieving his or her fullest potential and to grow into their roles as brand representatives.

» Employee brand-building behavior goes beyond employees' delivering high service quality. «

{ *Box 1* }

MEASUREMENT SCALES FOR BRAND-SPECIFIC LEADERSHIP STYLES: "MY DIRECT SUPERVISOR…"

BRAND-SPECIFIC TRANSFORMATIONAL LEADERSHIP

Intellectual Stimulation

> … re-examines critical assumptions of our brand promise to question whether they are appropriate.
> … seeks differing perspectives when interpreting our corporate brand values.
> … gets me to look at my job in terms of a branding task.
> … suggests a brand promoter's perspective of looking at how to complete assignments.

Inspirational Motivation

> … talks optimistically about the future of our corporate brand.
> … talks enthusiastically about what needs to be accomplished to strengthen our corporate brand.
> … articulates a compelling vision of our corporate brand.
> … expresses confidence that brand-related goals will be achieved.

Idealized Influence (Attributes)

> … instills pride in me for being associated with our corporate brand.
> … goes beyond self-interest for the good of the corporate brand.
> … lives our corporate brand in ways that build my respect.
> … displays a sense of power and confidence when talking about our corporate brand.

Idealized Influence (Behaviors)

> … specifies the importance of having a strong sense of our corporate brand.
> … talks about our most important brand values and his/her belief in them.
> … considers the moral and ethical consequences of our brand promise.
> … emphasizes the importance of having a collective sense of our brand mission.

Individual Consideration

> … spends time teaching and coaching me in brand-related issues.
> … treats me as an individual rather than just one of many members of [corporate brand name].
> … considers me as having different needs, abilities, and aspirations from other members of [corporate brand name].
> … helps me to develop my strengths with regard to becoming a good representative of our brand.

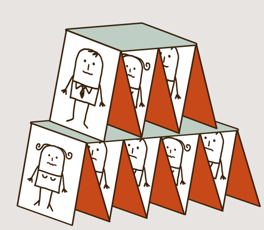
BRAND-SPECIFIC TRANSACTIONAL LEADERSHIP

Management-by-Exception Active

> … focuses attention on irregularities, mistakes, exceptions and deviations from what is expected of me as a representative of our corporate brand.
> … keeps careful track of mistakes regarding brand-consistency of my behavior.
> … monitors my performance as a brand representative for errors needing correction.
> … is alert for failure to meet standards for brand-consistent behavior.

Contingent Reward

> … points out what I will receive if I do what is required from a brand representative.
> … tells me what to do to be rewarded for my efforts for brand-consistent behavior.
> … works out agreements with me on what I will receive if I behave in line with our standards for brand-consistent behavior.
> … talks about special rewards for exemplary behavior as a brand representative.



How Different Leadership Styles Affect Employees' Brand-Building Behavior

In order to employ leadership techniques correctly for brand-building efforts, it is necessary to understand the different psychological mechanisms by which the two leadership styles affect employees' brand-building behavior and how they interact in producing such effects. For this purpose, a cross-sectional study with regular face-to-face, written, and/or telephone customer contact was conducted with 269 service employees of a large telecommunications company in Switzerland. Please refer to Box 1 for the measurement of the respective brand-specific leadership styles. Structural equation modeling was used to analyze the data.

Psychological Mechanisms Triggered by Transformational Leaders

Results show that brand-specific transformational leadership is more effective in enhancing brand-building behaviors among employees than brand-specific transactional leadership. The transformational approach works through a process of ***internalization*** which leads to an increase in employees' in-role and extra-role behaviors such as participation in brand development, advocacy of the corporate brand, and a higher retention rate (see Figure 1).

That is, the effectiveness of a brand-specific transformational leader is based on his or her ability to make followers integrate a brand-based role identity into their self-concepts. This means that individuals have come to accept the brand values as their own and thus perceive ***value congruence*** between their own and the corporate brand's values (for example, when Avis' brand promise "We try harder" becomes a central facet in an Avis employee's general code of conduct). The internalization process itself is triggered by the transformational leader serving followers' basic psychological needs of (a) relatedness, (b) competence, and (c) autonomy. This is achieved by (a) emphasizing followers' membership in the brand community, (b) teaching and coaching followers to enact their brand-based role identity, and (c) showing concern for subordinates' feelings as individuals and therefore allowing choice and freedom in how to interpret and enact their role identity as brand representatives.

Psychological Mechanisms Triggered by Transactional Leaders

In contrast, the study shows that brand-specific transactional leaders influence their followers through a process of ***compliance***, which has a mainly negative impact

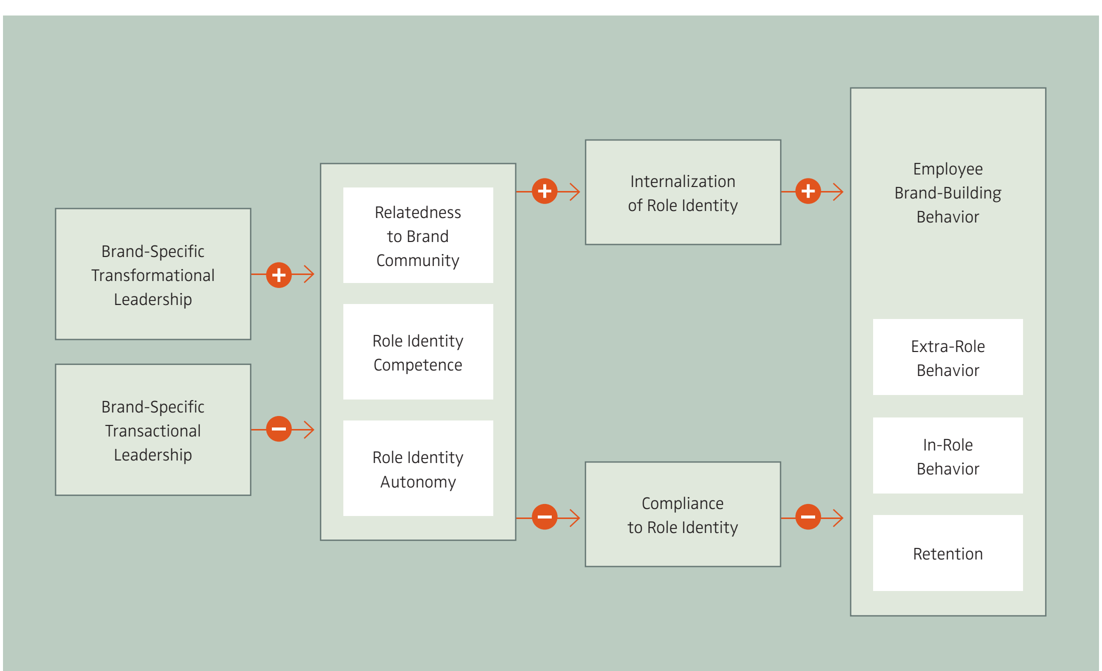
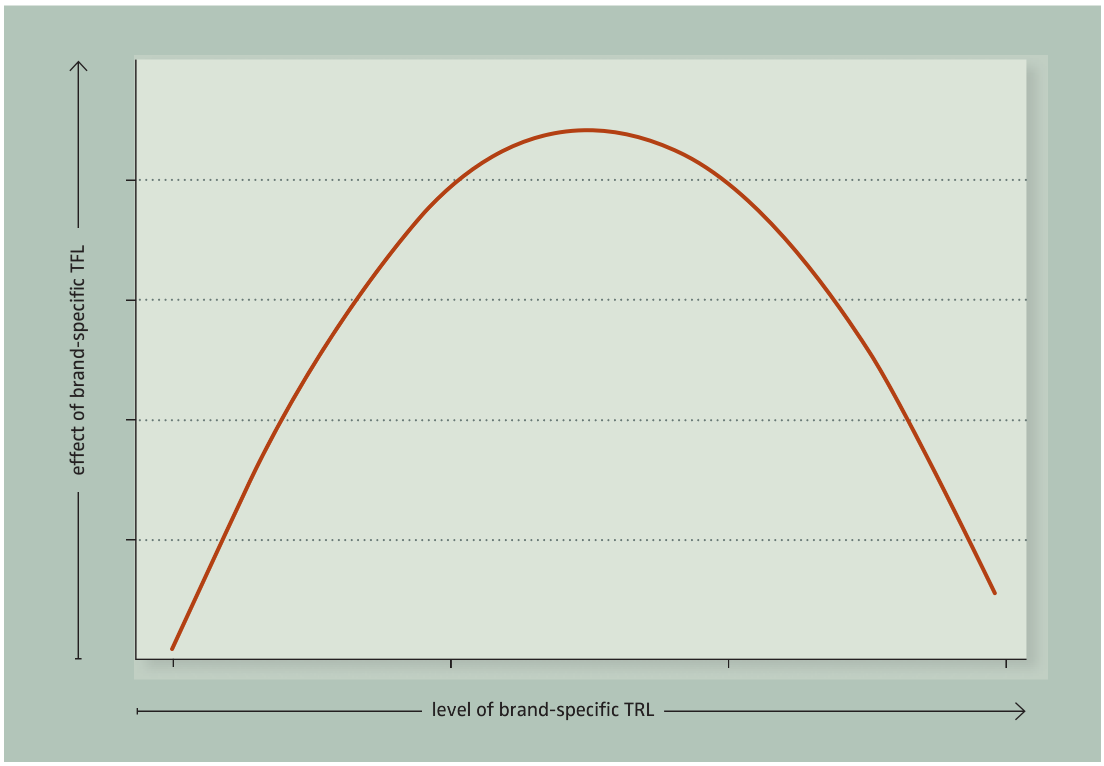


FIGURE 1:
Impact of Brand-Specific Transformational and Transactional Leadership on Followers' Brand-Building Behaviors

FIGURE 2:
Effect of Brand-Specific TRL on the Effect of Brand-Specific TFL



on followers' brand-building behaviors (see Figure 1). Compliance follows from the transactional leader's merely instrumental command and control approach: through prescribing detailed behavioral standards and sanctioning followers' abidance, such leaders thwart the satisfaction of employees' basic psychological needs which would be necessary for an internalization process to function optimally. As a consequence, followers do not fully "take in" the brand-based values and do not accept them as their own with the consequence of a decrease in brand-building behaviors and loyalty intentions.

Interactive Effects of Brand-Specific Transactional and Transformational Leadership

The results presented so far are significant given the fact that a transactional leadership style is still the most common practice among managers in charge of customer contact personnel (first and foremost sales managers). However, most managers will exert neither a purely transformational nor a purely transactional approach, nor will such an "either/or" decision be advisable, because both leadership styles have their merits. Therefore, interactive effects between the two leadership styles were tested by means of a nonlinear moderated regression analysis:

Brand-specific transactional leadership can function either as a "catalyst" or as a "neutralizer" for the positive effects of brand-specific transformational leadership (see Figure 2). When used at a low to moderate level, brand-specific transactional leadership "adds" to brand-specific transformational leadership, in that it strengthens the latter's positive effects ("crowding-in effect"). However, when used at higher levels, brand-specific transactional leadership undermines the positive effects of brand-specific transformational leadership ("crowding-out effect"). Hence, the positive effect of brand-specific transformational leadership is strongest at an intermediate level of brand-specific transactional leadership.

Practically speaking, even highly transformational leaders are not assumed to be effective unless they also attend to the task-oriented management aspect of their function (such as Management by Exception and Contingent Reward). For example, a brand-oriented manager who engages in transformational behaviors while completely neglecting "hands-on" activities, such as clarifying tasks, setting goals, and defining standards for performance and compensation, is likely to be viewed by followers as too quixotic, as a "windbag", with the consequence that his or her transformational efforts lose ground. In contrast, when used to the extreme, brand-specific transactional behaviors may undermine the effects of transformational behaviors: rigid behavioral prescriptions, strict control, and emphasis on "pay-per-performance" pertaining to brand-supporting behaviors contradict a leader's transformational efforts with regard to satisfying followers' needs for autonomy, competence, and relatedness in their roles as brand representatives. Consequently, too much emphasis on transactional behaviors causes followers to perceive their supervisor's transformational behaviors as inauthentic, even manipulative, thereby foiling their positive effects.

Summary and Management Implications

So, what can supervisors do to enhance brand-building behaviors among frontline employees? This research suggests that managers should make a paradigm shift from the prevalent transactional to a more transformational leadership philosophy. At first glance, specifying behavioral codices and scripts for employees dealing with customers and then monitoring (e.g., through mystery shopping) and rewarding appropriate demeanor might seem to be an easy solution for obtaining adequate performance from employees representing the firm. However, such a highly transactional style seems counterproductive in terms of followers' motivational condition. Managers would do much better by opening their minds to a more transformational approach, which would entail behaviors such as articulating a unifying brand vision, acting as an appropriate role model by living the firm's brand values, giving employees freedom to individually interpret their roles as brand representatives, and providing individualized support by acting as a coach and mentor. This would allow employees to experience intrinsic motivation in their roles as brand representatives, which

» When used at a low to moderate level, brand-specific transactional leadership "adds" to brand-specific transformational leadership, in that it strengthens the latter's positive effects. «

FIGURE 3:
Managerial Guidelines

Brand-Specific Transactional Leadership

> Employ concrete standards for adequate brand behavior only in terms of helpful guidelines and consciously point to their interpretability

> Do not use evaluations and feedback regarding brand-consistent behavior as a form of control and reprehension, but as a basis for employees' development

> Do not use awards and incentives to „buy" brand-consistent behaviors, but as symbols of true appreciation

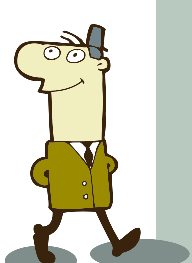
Brand-Specific Transformational Leadership

> Communicate convincingly an appealing and differentiating brand vision to arouse employees' enthusiasm and pride for the corporate brand

> Authentically embody the brand promise/ brand values on and off the job

> Help employees to think beyond their job profile and to redefine their jobs from the perspective of a brand representative

> Train employees to act in brand-consistent ways and coach them to grow into their roles as brand representatives



» A training and coaching intervention can significantly improve managers' brand-specific leadership style as perceived by their subordinates in just a few months «

would ultimately spill over into the commitment, authenticity, and proactivity that characterize a real brand champion. However, this is not to suggest that brand-specific transformational leadership on its own is a panacea and that supervisors should refrain completely from transactional leadership behaviors. It is difficult to conceive of an effective brand-oriented manager who would not at the same time clarify for employees their roles as representatives of the corporate brand, monitor their performance, and provide adequate compensation. Rather, this would be an important feature of brand-oriented leadership, bringing an otherwise too vague transformational style "down to earth". However, when used to the extreme, transactional leadership may make employees feel like puppets dancing for the customer with their supervisors operating the strings backstage. In contrast, when used carefully and in a limited way, transactional behaviors are likely to be understood by subordinates as helpful guidance, fair and constructive feedback, and signs of appreciation, thus adding substantial value to a transformational leadership style. According to this research, managers will be most successful in turning their crew into brand champions with a combination of a ***high*** level of brand-specific transformational and a ***moderate*** level of brand-specific transactional leadership. In order to put this optimal mix into practice, managers can refer to the guidelines in Figure 3.

A Final Note: Leadership Training

In order to help managers apply this "leadership formula" in practice, the researcher team has developed a management training program for brand-specific leadership and evaluated its effectiveness by means of a field experiment with 60 managers and 302 direct reports in the financial services industry (please refer to study 2 in the original article). This study reveals that a training and coaching intervention can significantly improve managers' brand-specific leadership style as perceived by their subordinates in just a few months, thereby suggesting that brand-specific leadership can indeed be learned. However, changing a leadership culture is a long-term project and the effects of training leaders to become more transformational are likely to be more pronounced if the existing culture is compatible to some extent with the new philosophy.

Finally, it is necessary to emphasize that the findings presented in this article have been derived from specific research contexts (i.e., telecommunication and financial services industry), and therefore further studies must be carried out in future to validate the general applicability to any other (business, cultural, etc.) context. It might be easier to develop "brand ambassadors" for strong brands than weak ones and for high involvement rather than low involvement products. Therefore further research is needed to clarify whether the impact of brand-specific transformational leadership is moderated by the quality and strength of a company's brand image or the industry. •

FURTHER READING

Miles, Sandra J. and Glynn Mangold (2004), "A Conceptualization of the Employee Branding Process," Journal of Relationship Marketing, 3 (2/3), 65 – 87.

Bass, Bernard M. (1985), Leadership and Performance Beyond Expectations. New York: The Free Press.

Deci, Edward L., Richard Koestner, and Richard M. Ryan (1999), "A Meta-Analytic Review of Experiments Examining the Effects of Extrinsic Rewards on Intrinsic Motivation," Psychological Bulletin, 125 (6), 627 – 68.

Kelloway, E. Kevin and Julian Barling (2000), "What We Have Learned about Developing Transformational Leaders," Leadership and Organization Development Journal, 21 (7), 355 – 62.

KEYWORDS:

Corporate Branding, Service Brand, Transformational Leadership, Frontline Employees, Social Identity

{New Theory}

/// Important pieces of information may sometimes not reach the top management team.

SHOULD TOP MANAGEMENT GET INVOLVED IN MARKET INFORMATION COLLECTION EFFORTS?

Nukhet Harmancioglu, Amir Grinstein and Arieh Goldman

Research in marketing has typically studied market information collection efforts from the perspective of employees and market research companies, disregarding the role that the top management team (TMT) plays in these efforts. In a B2B environment, we find positive effects of TMT involvement in market information collection efforts on firm innovativeness above and beyond employees' market information collection efforts. The observed effects are stronger for smaller firms and high-tech companies.

THE AUTHORS

Nukhet Harmancioglu,
Assistant Professor at
Koc University, College of
Administrative Sciences and
Economics, Istanbul, Turkey,
nharmancioglu@ku.edu.tr

Amir Grinstein,
Assistant Professor at Guilford
Glazer School of Business
and Management, Ben-Gurion
University of the Negev,
Beer Sheva, Israel,
gramir@bgu.ac.il

Arieh Goldman
was a Professor at the School of
Business Administration, The
Hebrew University of Jerusalem,
Israel

The article is an adapted short version of *Nukhet Harmancioglu, Amir Grinstein, Arieh Goldman:* "Innovation and performance outcomes of market information collection efforts: The role of management team involvement", International Journal of Research in Marketing, 27 (1/2010), 33 – 43.

Market Information Collection and the Top Management Team (TMT)

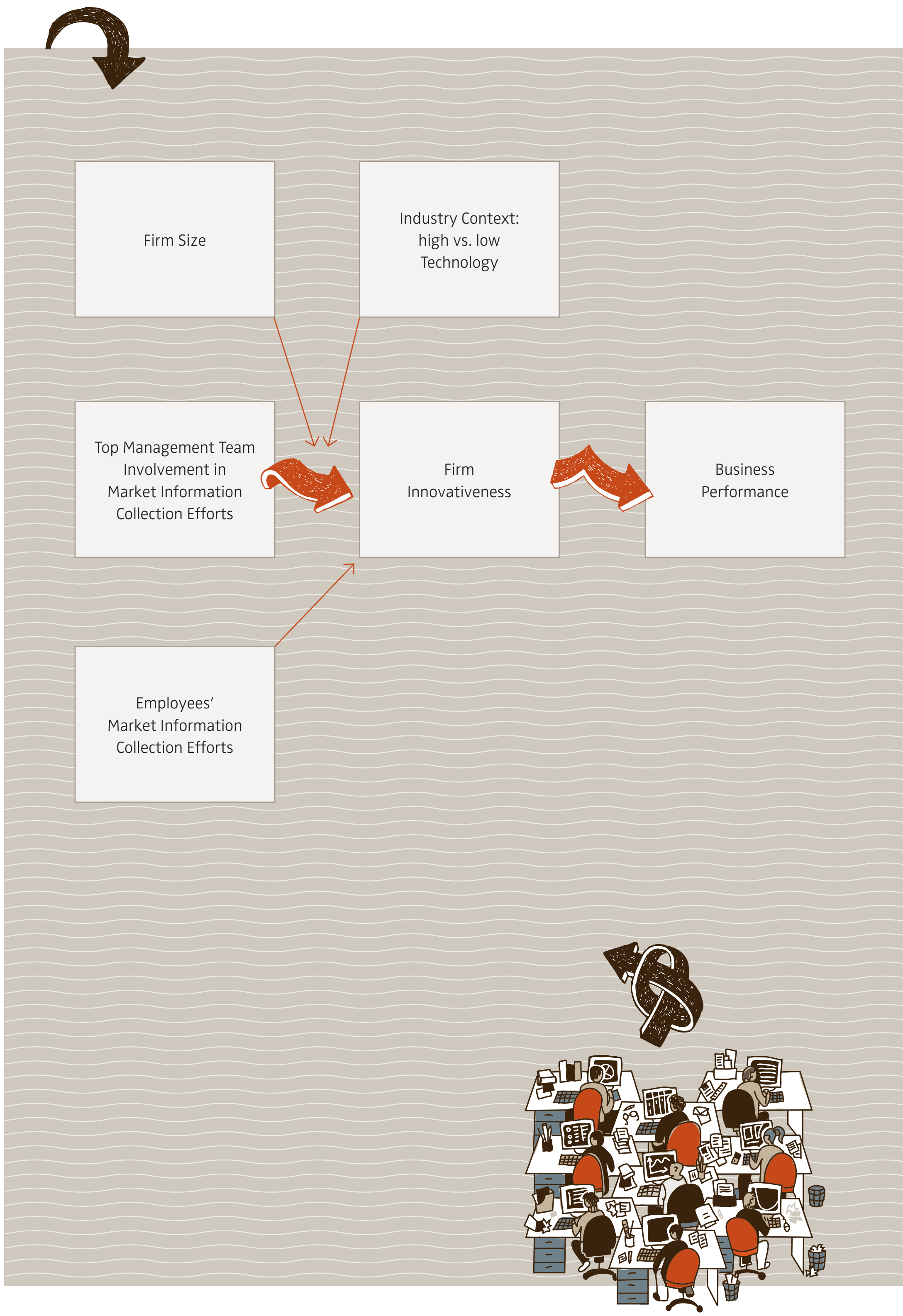
Market information is strongly associated with a firm's ability to effectively implement marketing strategies, develop successful new products and achieve superior business performance. Without it there is no opportunity for the firm to keep abreast of its customer and competitor environments. However, although market information is particularly necessary for strategy selection and implementation, top managers are typically not active participants in the collection of market information. The key decision-makers in the organization are often only expected to be exposed to the final outcome of the market research (e.g., a summary report) on customer satisfaction compiled by a market research company or the firm's marketing team.

Top managers usually do not have the time to be involved in information collection or closely supervise information collection efforts and are therefore less likely to put their hands on 'raw' market information. They are also often removed from the day-to-day interaction with customers, which may hinder their ability as managers to 'get a good sense' of the market information. Furthermore, important pieces of information may sometimes not even reach them and can limit effective decision making as a result. This may result in gaps between the priorities of top management and employees, making it difficult to effectively implement marketing programs.

Market Information´s Role within the Company

Market information is defined as external data concerning a firm's current and potential external stakeholders. Market information can provide the basis for shared values and beliefs in market-oriented firms, determine employee behavior, and help them better understand their environment and their organization. If implemented well, this behavior and these processes contribute to the firm's ability to create customer value, outperform the competition and achieve superior market results. Sensing the market environment allows firms to respond to and alter the market, and attain competitive advantage through innovations as market intelligence is developed and bolstered.

FIGURE 1:
Framework of Effects of Market Information Collection and TMT Involvement



The fact that such information is collected does not necessarily mean that it is actually used effectively within companies. Repeatedly it was found that there is a mediating impact of the quality of implementation on the conversion of distinctive resources into competitive advantages. Superior resources (e.g., market information) and skills (e.g., TMT involvement in market information collection) may not be automatically converted into positional advantages (e.g., firm innovativeness). Furthermore, the firm's internal characteristics (e.g., firm size) and the external competitive environment (e.g., industry context) might determine the quality of information transmission and utilization. Given the importance of market information for knowledge development, organizational learning and competitiveness, it is important to analyze if, and to what extent, the way in which the information is collected influences key outcomes.

Arguments for TMT Involvement in Information Collection

The TMT is defined as the organization's top-tier members. These key executives provide guidelines and direction for critical strategic decisions; they are viewed as the driving force behind the firm's behavior and performance. TMT behavior such as TMT agreement-seeking and consensus, behavioral integration, informal communication, conflict resolution and decision comprehension all determine the course of the company. Even though market information is often at the heart of decision making, top managers are generally not highly involved in, or do not closely supervise, the information collection process.

As a matter of fact, there are several arguments why TMT involvement in market information collection might result in superior decisions and improved success. TMTs' lack of time and/or limited attention leads them to put emphasis primarily on summary reports of internally or externally collected information. As a result, top managers might not always be able to 'get a good sense' of market information or receive important tacit information. Tacit information (e.g., information on business customers' corporate culture) is particularly important for firms because this type of information, which is non-verbalizable, intuitive, unarticulated, difficult to formalize and communicate and learned through collaborative experience, can support firms in becoming more innovative and gaining competitive advantage. Tacit information helps managers identify latent customer needs, customers' decision-making processes and new market opportunities. Furthermore, the nature of tacit information is often associated with informal communication, which is viewed as a critical process for innovation.

Active and effective TMT involvement in market information collection efforts may therefore be in the form of customer visits, frequent and close customer interaction and/or informal meetings with customers (e.g., lunches, dinners, golf). Beyond increased innovativeness, such behavior is likely to lead to improved strategic decision making, new strategic insights and courses of action and increased management confidence. Conversely, lack of access to tacit market information can limit effective decision making and innovativeness.

A Framework to Test the Effects of TMT Involvement

Based on these arguments, an empirical study aims to provide a better understanding of ***how market information collection efforts*** and ***TMT involvement***, in particular, impacts the firm. As discussed in the previous chapters, a firms' efforts in market information collection and TMT involvement in this process should have positive effects on business performance. Figure 1 gives an overview of the expected relationships.

» Market information can provide the basis for shared values and beliefs in market-oriented firms, determine employee behavior, and help them better understand their environment and their organization. «

FIGURE 2a:
Interaction Effect of TMT Involvement and Firm Size on Firm Innovativeness

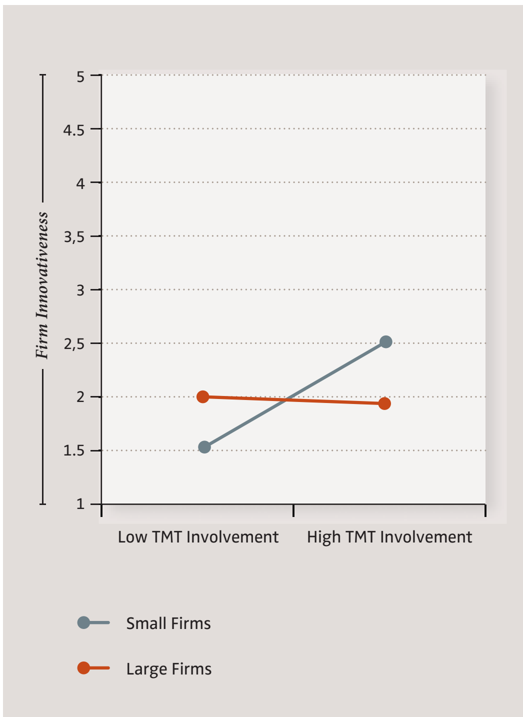
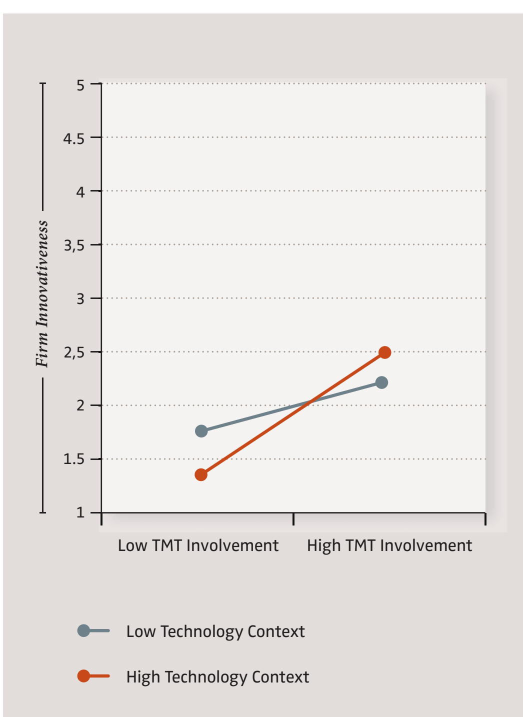


FIGURE 2b:
Interaction Effect of TMT Involvement and Industry Context on Firm Innovativeness



"Firm innovativeness" is used as the key variable of ***business performance*** because it is a key element of firms' competitive advantage and superior results. In the study, effects on firm innovativeness, direct effects on business performance and indirect effects (effects on business performance resulting from increased innovativeness) are analyzed.

Some additional factors that might be of relevance were also included: concerning the positive impact of TMT involvement, the effects might differ depending on ***firm size*** or the ***type of industry*** a company faces. Even though small and large firms should both benefit from TMT involvement in market information collection, the incremental contribution for smaller firms is expected to be greater than that for large firms. Small firms have fewer funds to purchase industry data or conduct professional market research and their internal knowledge base and human capital is more limited. Therefore TMT´s role in market information collection is expected to be more crucial.

When differentiating between industry contexts, the positive effect of TMT involvement should be more pronounced in high-tech than low-tech environments. The former are characterized by frequent changes in customer expectations, competitive volatility arising from new entrants and rapid technological shifts, the availability of more information resources and shorter product life cycles. To actually collect relevant customer insights and convert them into increased innovativeness and competitive advantages, high-technology firms need advanced organizational mechanisms. Direct TMT involvement should have beneficial effects in their implementation.

Results from a Sample of B2B Firms

The model was tested with a sample of 95 B2B companies in Israel. Personal, standardized interviews were conducted with one manager per company (mostly CEOs or vice presidents). All items were measured with 5-point scales ranging from "strongly disagree" to "strongly agree" (with the exception of firm size, where a 6-point scale was used, and industry context, where a 0/1 coding was applied for high and low tech contexts). The answers were analyzed with multiple regression analyses and ordinary least squares (OLS) estimations.

The results support the relations in the framework:

> Employees' market information collection efforts positively influence firm innovativeness

> TMT involvement in market information collection efforts exerts a strong positive influence on firm innovativeness above and beyond employees' efforts.

> The effects are stronger for small companies and for companies in a high-tech environment (see Figure 2).

> TMT involvement exerts a positive and significant indirect effect on business performance through firm innovativeness, but no direct effect was observed.

Being involved in market collection efforts sends signals to organizational members about the value of market information and helps building and nurturing a market-oriented culture. There are a number of mechanisms which TMT can consider. Systematically sharing insightful market information with other top managers, department heads and employees both formally through progress reports and brainstorming meetings and informally through interpersonal interactions can have the desired effects. An alternative approach the TMT could adopt would be to invite customers with valuable insights to visit the firm, encouraging cooperation through presentations and meetings.

Summing up, the results show that TMT involvement in market information collection creates value for the firm and augments business performance through increased innovativeness. Especially for small companies and/or within a high-tech environment it seems to pay off when top managers invest some of their valuable time in active participation in market information collection. •

FURTHER READING

Burke, I. and Jarrat, D. (2004), "The influence of information and advice on competitive strategy definition in small- and medium-sized enterprises," Qualitative Market Research, 7(2), 126 – 138.

Camelo-Ordaz, C., Hernandez-Lara, A. B. and Valle-Cabrera, R. (2005), "The relationship between top management teams and innovative capacity in companies," Journal of Management Development, 24(8), 683 – 705.

Cavusgil, S. T., Calantone, R. and Zhao, Y. (2003), "Tacit knowledge transfer and firm innovation capability," Journal of Business and Industrial Marketing, 18(1), 6 – 21.

Kotter, J.P. (1999), "What effective general managers really do," Harvard Business Review (March – April), 145 – 159.

KEYWORDS:

Market Information,
Top Management Teams,
Customer Orientation,
Business-to-Business Marketing

Different Channel – Different Price?
INVESTIGATING THE PRACTICE OF MULTI-CHANNEL PRICE DIFFERENTIATION

The article is an adapted short version of *Agnieszka Wolk and Christine Ebling (2010),* "Multi-Channel Price Differentiation: An Empirical Investigation of Existence and Causes", International Journal of Research in Marketing, Vol. 27 (2), pp. 142 – 150.

Christine Eckert (née Ebling),
Lecturer, UTS Business School
University of Technology, Sydney
Christine.Eckert@uts.edu.au

Different Prices in Online and Offline Channels: Higher Profits or Irritated Customers?

Price differentiation has long been recognized as a strategy that companies can use to increase profits when consumers' tastes and valuations of a good price vary. Companies engaging in price differentiation have the opportunity to increase profits considerably compared to those which use a uniform pricing strategy. Accordingly, it should be beneficial for companies to exploit the possibility of charging different prices in online and offline channels as they offer different shopping benefits and are differently valued by consumers. Nevertheless, it can be observed that some multi-channel retailers prefer to charge uniform prices in online and offline channels. They argue for consistent prices across distribution channels to maintain a strong brand – and because varying prices may lead to customers' confusion, anger, irritation and perceptions of price unfairness.

How Retailers Engage in Channel-Based Price Differentiation – Evidence from Two Studies Conducted in Germany

In two studies (study 1 in 2005, study 2 in 2006), the online and offline prices were monitored for a total of 2,742 products that were sold by 115 retailers in diverse industries and retail stores in a major German city.

Both studies revealed that multi-channel retailers engage in channel-based price differentiation (30 % of the retailers in study 1 and 60 % in study 2). The charged prices varied between the online and offline channels for 20.55 % of the 1,080 products analyzed in study 1 and for 34.40 % of the 1,662 products in study 2. The extent and direction of price differentiation fluctuated according to retailer and product category.

A greater number of retailers consistently charge more in offline than in online contexts than vice versa, but most companies pursue a mixed strategy (75 % in study 1 and 92 % in study 2) – that is, these retailers charged higher prices both online and offline. For the products with price differentiation, the price offline was higher in 73.42 % of the cases in study 1 and in 62.98 % of the cases in study 2. Table 1 gives an overview of the major findings.

	Study 1	Study 2
Percentage of retailers engaging in channel-based price differentiation	29.63 %	29.63 %
Percentage of products with price differentiation	20.55 %	34.30 %
Percentage of products with higher offline prices given price differentiation	73.42 %	62.98 %
Percentage of retailers always charging higher prices offline if engaging in price differentiation	18.75 %	5.41 %
Percentage of retailers always charging higher prices online if engaging in price differentiation	6.25 %	2.70 %
Percentage of retailers following mixed strategy if engaging in price differentiation	75.00 %	91.89 %
Mean absolute extent of price differentiation given price differentiation (%)	12.33 %	16.06 %

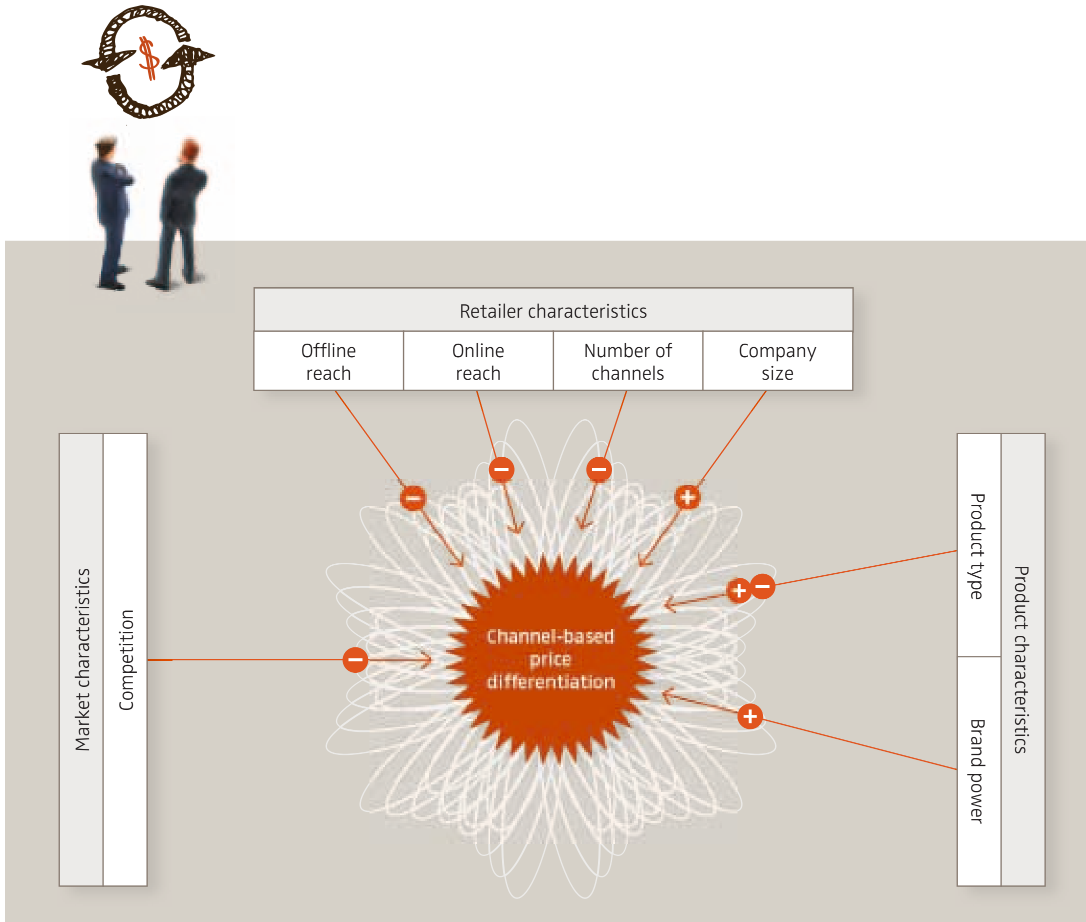
TABLE 1:
Summary of the Descriptive Results of the Two Studies

In both studies, the highest positive relative price gaps (offline is more expensive than online) can be found for consumer electronics. In contrast, high negative relative price gaps can be observed for products belonging to very different product categories (online is more expensive than offline) in both studies. Examples for such products are eye creams (EUR 19.90 online versus EUR 7.90 offline), sneakers (EUR 159.90 online versus EUR 79.95 offline) and canned food (EUR 1.79 online versus EUR 0.99 offline). On average, online prices in both studies are lower than offline prices.

What Factors Favor Channel-Based Price Differentiation?

By means of a regression analysis, the study 2 data was used to analyze factors that influence a company's decision to engage in channel-based price differentiation and its extent. Figure 1 summarizes the main factors and their influence.

FIGURE 1:
Factors Influencing Occurrence and Extent of Channel-Based Price Differentiation



> High levels of ***online competition*** decrease the probability that a multi-channel retailer will engage in channel-based price differentiation and decrease the price disparity between channels. This suggests that retailers do not decrease their online profit margins, due to higher competition online. In contrast, it seems that retailers instead benefit from a higher number of similar websites, maybe because it increases consumers' familiarity with online purchasing using the given retailer format.

» A greater number of retailers consistently charge more in offline than in online contexts than vice versa, but most companies pursue a mixed strategy. «

> Greater offline ***reach decreases*** online prices relative to offline prices. A high number of offline branches allow consumers to switch easily from online to offline channels. Therefore, a multi-channel retailer with many offline branches is not able to successfully charge higher prices in his online channel.

> ***Online reach*** has a significant negative effect on the probability of observing differential prices and the size of the price gap. As consumers become more familiar with the online environment and the costs associated with their switching to the online channel decrease, the likelihood of the existence of price differentiation between the two channels also decreases.

> The ***number*** of ***distribution channels*** of a multi-channel retailer has been shown to have a negative influence on the probability and extent of channel-based price differentiation, implying that with a higher number of distribution channels, price differentiation across channels becomes less likely due to the complexity of channel coordination. This might also be due to the fact that most other channels (e.g., catalog or telephone sales) share more characteristics

with the online than with the offline channel, thus making the latter subject to more channel switching and thereby reducing the retailer's ability to successfully charge higher prices in the online channel.

> Both ***company size*** and ***brand power*** have positive influences on the relative size of the price gap. It is likely that larger companies have a higher incentive to migrate their consumers to the online channel, as they are better able to exploit the cost advantages associated with that channel. As a result, they may be more motivated to charge higher prices offline. Further, companies may have an incentive to charge lower prices online for brands with a high brand visibility (measured as the number of Google hits for the brand name), because those brands' prices can be more easily compared to competitors' prices online and may in addition serve as visible signals of the retailer's overall price positioning.

> Further, ***product type*** impacts the extent of price differentiation. Channel-based price differentiation is highest in the case of services, which are less subject to the jeopardy of reselling. Within goods, non-durables (food) exhibit a higher degree of channel-based price differentiation than durables (housewares), again indicating that retailers engage less in price differentiation for products that are appropriate for resale. Interestingly, a lower level of price differentiation was found for clothing than for entertainment (e.g., books, DVDs). Given that clothes, in particular, need to be physically examined before purchase and are thus not equally suitable for online and offline sales, this is surprising. At the same time, there are higher levels of price differentiation for electronics than for cosmetics, even though one would expect the former product category to be equally appropriate for online and offline buying.

Key Findings and Their Implications

The results indicate that channel-based price differentiation exists, but it seems that it still has a rather limited practical relevance for retailers. The observed price gap of 12 – 16 % reflects, in general, the differences in consumer channel valuation, but this gap is rather low compared to other types of self-selection price differentiation such as quantity-based price differentiation or quality-based price differentiation.

However the two studies were conducted during different time periods and seem to point out that retailers increasingly engage in channel-based price differentiation. At the same time, those retailers offering differentiated prices seem to move from a unifying price differentiation strategy towards a mixed price differentiation strategy, where they make the price differentiation decision on a product-by-product basis.

Besides using the internet as an additional distribution channel, there is potential for companies to further explore this channel by engaging in channel-based price differentiation.

However, because a low online reach helps to separate markets and foster channel-based price differentiation, the increasing popularity of the internet as a marketplace for retailers leads to fewer opportunities to use this channel for price differentiation. Nevertheless, the possibility exists that with the increasing popularity of the online channel, companies may decrease the number of offline branches and thus preserve their ability to engage in channel-based price differentiation due to a lower offline reach.

The findings further indicate that a higher level of online competition online does not necessarily lead to lower prices in the online channel. In contrast, it seems that retailers benefit from a higher number of similar websites, which supports the notion that multi-channel retailers are not necessarily price takers, but do have the power to influence their prices. Therefore, retailers do not necessarily suffer margin losses when they open an online channel. •

KEYWORDS:

Price Differentiation,
Multi-Channel Pricing

(*Hubertine Underberg-Ruder*)

ABOUT THE UNDERBERG GMBH

The family-owned Underberg-company is one of the leading German spirits producers, most recognized for its core brands Underberg and Asbach and its unique competence in herbal specialties. Underberg was founded in 1846 by Hubert Underberg and today the fourth and fifth generation run the company, namely Emil and Christiane Underberg, their daughter Dr. Hubertine Underberg-Ruder and her husband Dr. Franz J. Ruder.

The German Semper idem Underberg GmbH owns a diversified portfolio of well-known brands (e.g., Underberg, Asbach, Pitú, XUXU, Grasovka and Riemerschmid) and distributes additional brands including Amarula, Averna, Cointreau, Glenfiddich, Moskovskaya, Metaxa and Rémy Martin. The own brands are developed, positioned and managed in house. It is Underberg's objective to create a unique position and value for each brand and to reach well-defined market segments.

Beside Germany and its neighboring countries, Underberg has a special focus on markets in Brazil, Russia and China. More than one in five bottles of its top six own brands is sold outside of Germany.

THE INTERVIEWER

This interview was conducted in August 2011 by the Editor-in-Chief, Dr. Dr. h. c. Hermann Diller.

ABOUT HUBERTINE UNDERBERG-RUDER

Hubertine Underberg-Ruder graduated in microbiology. After working for the Ministry of Agriculture in the Netherlands, she moved into the family business, headquartered in Dietlikon, Switzerland. Dr. Underberg-Ruder has been the President of the Board of Directors of Underberg AG, the Swiss parent company, and Chair of the Advisory Board of the German companies since 1991.

She is married to Dr. Franz J. Ruder, Director of the Underberg AG, with whom she has four children and lives in Switzerland.

MIR TALKS TO HUBERTINE UNDERBERG-RUDER, PRESIDENT OF THE BOARD OF DIRECTORS, UNDERBERG AG

Interview by Hermann Diller

The family-owned Underberg company, headquartered in Switzerland, has successfully produced and marketed spirits for more than 165 years. Dr. Hubertine Underberg-Ruder, fifth generation President of the Board, describes how the medium-sized company keeps growing responsibly and effectively in the heavily regulated spirits market and how they tackle global challenges.

MIR: *Mrs Underberg-Ruder, let's start our conversation with the current challenges of branding in a medium-sized, branded company. One principle of successful branding is continuity, but the spirits market is increasingly dominated by fashion drinks causing higher turnover volatility. The Underberg brand seems to be unaffected. How would you explain that?*

UNDERBERG-RUDER: Well, I believe, in our industry we face very different customer groups and also a large variety of drinking occasions. That's one of the peculiarities of the spirits market. First of all, we notice that the drinking occasion is more relevant than the customer type in most cases. Therefore the common segmentation by target groups is less useful, we instead define markets by drinking occasions. For instance: are the spirits consumed with a meal or in a bar? Does it happen in a private or public place? Are they consumed alone, when reading a book for example, or in company, maybe with a group of friends? One and the same person might, for instance, generally choose a fruit distillate like Dettling to enjoy when reading a book, and prefer to drink a beer or a sparkling wine like Schlumberger when going out with friends. Obviously, there are occasions with stable consumption patterns, and there are instances ruled by variety-seeking behavior and experimentation with new drinks.

MIR: *I understand: in spirits marketing you have to consider occasions rather than target groups. And what is the second special characteristic of the spirits market?*

UNDERBERG-RUDER: The other important distinction is the fact that we face two dramatically different sub-segments with specific customer groups, even if the end user is ultimately the same: marketing a product to grocery retailers or to the Horeca follows completely different principles. For instance, when marketing the Asbach brand (a German specialty) to restaurants and bars, you need to emphasize its "indulgence" character, the high quality or exclusiveness, something the host can use in his communication with guests. So on the one hand you have to help the host to present himself as knowledgeable and on the other you have to serve the customer, who expects a pleasurable experience at the specific location.

MIR: *May I broach the aspect of the consumption occasion again? This is a very interesting point. Don't occasions also change over time? After all, food culture, eating habits or restaurant preferences change constantly. In the course of the recent economic crisis, for instance, people significantly reduced how often they dined out. Did you observe this in your figures? How did you handle it?*

UNDERBERG-RUDER: Yes, this trend was very noticeable and we did react marketing wise. We observed that many activities which used to take place in restaurants and bars were replaced by consumption at home. We therefore offered additional products for bar-like consumption experiences via grocery retailers. For instance, for Pitú (an Aguardente de Cana), we offered an entire kit with all the ingredients to make a Pitúrinha at home. That sold very well during the crisis. Offering such "on-trade experiences in off-trade" [on-trade referring to food services such as restaurants and off-trade being grocery retailing in the context of our company], meaning bar-like experiences at home, were a very important tool in the crisis.

MIR: *Even if target groups are not of central importance, as you pointed out, brand management still needs to ensure that the brands do not become obsolete with aging consumers. Do you work towards brand rejuvenation and how do you approach this topic?*

UNDERBERG-RUDER: Actually, I resent the term ''rejuvenation'' for two reasons. In my opinion neither youth nor seniority are important but age trends are relevant. Drinking higher percentage spirits neat only starts at the age of about 40. Basically, that's how it always used to be with younger people never drinking pure whiskey, not now or in the past. That means, you generally have rather ''old'' consumers. What counts here is the average age. Does the average age of our consumers increase? I certainly work towards ensuring that it does not go up. Therefore we prefer to use the term ''actualization'' instead of ''rejuvenation''. As long as the brands remain relevant and the average consumer age does not go up, I have no problem with older target groups, the more so as our society as a whole ages.

MIR: *How important is customer retention in your business?*

UNDERBERG-RUDER: In our industry one does not only lose customers because they pass away, but also when they migrate to other brands. It is therefore very economical to enforce customer loyalty. For example, we have launched a bottle top collection campaign and provide several incentives for returning those tops.

MIR: *I agree that customer loyalty is important but I am skeptical whether it is really developed through the collection of bottle tops? Please correct me if I'm wrong, does it work?*

UNDERBERG-RUDER: I am happy to tell you that you are mistaken. It is really not the collection process that counts, but the fact that the consumer sees it as a sort of ''cult'' that he wants to be part of and therefore also establishes an emotional bond with the brand. It is certainly not the point of the campaign to create incentives that are purely financial or materialistic.

MIR: *Do you have quantitative results on the response you have had?*

UNDERBERG-RUDER: I can tell you quite specifically that one bottle top is returned every three seconds.

MIR: *One top every three seconds! That sure adds up to a lot!*

UNDERBERG-RUDER: Precisely. And you know, there is a lot of talk about sustainability and the environment. We have all the tops shredded and recycled. So, there are even additional benefits.

MIR: *Yes, I have read about that. And you are sure that everything comes right from actual consumers and not from other collectors that eventually comb through any waste bins?*

UNDERBERG-RUDER: Well, we know that there are in many cases collector communities rather than single consumers. We discovered that through a questionnaire in which we asked if they collected alone, with family or in the office and how the collection was organized. And actually, we have several thousand collector communities, who collect together in the office, in law firms, sports-club and so on. We have also gained insights into rituals linked to the collection of the caps. For example: ''Once a month we sit and decide together which prize we will go for next and what should be engraved into the tall glass.''

MIR: *That's ideal. That is actually a real fan club!*

UNDERBERG-RUDER: Exactly, and that is why I say that it is essential that such campaigns emotionalize, otherwise they cannot be successful. Our participants consider it a rewarding ''cult'', they quite simply enjoy it. By the way, the gifts are personalized and are not of monetary value.

MIR: *Nowadays, it is almost chic to be positioned as a premium brand for creating value. Would you define Underberg as a premium brand?*

UNDERBERG-RUDER: Of course. You have to consider that we realize mark-ups of almost 100 % compared to the closest competitor in our segment. No matter what brand, our price is always more than double.

MIR: *And how do you translate this premium policy in your communication? How do you justify your premium price?*

UNDERBERG-RUDER: For our Underberg brand, the positioning is very unique. We are not a beverage that is consumed primarily for pleasure, but for its effect. We are almost a brand in the field of pharmaceutics and obviously this positioning between digestive effect and pleasure justifies the price gap.

MIR: *And I assume your standard packaging in the size of a single portion helps as well?*

UNDERBERG-RUDER: This is our only bottle size. We offer nothing but the 20 ml portion bottles, which supports the idea: do not drink too much of it, one portion is just right for your wellbeing.

MIR: *Broadly speaking, value creation using a premium price is more important to you than quantity. After all, the sold volume is most likely much smaller than if you chose the conventional 0.7 l bottles.*

UNDERBERG-RUDER: Primarily it is a clear statement of our positioning.

MIR: *OK, then. The positioning further includes the breadth of the brand on the market. You seem to follow the rather untypical brand policy of a single brand concept, not thinking highly of line extensions or brand transfers? Could you explain this point in more detail … or am I wrong?*

UNDERBERG-RUDER: We are positioned as a premium brand and therefore the consumer should have in mind a specific image, namely the small bottle and its associated world of experiences that we present on each package. This is most important and we communicate it continuously and integrate it into all our marketing activities. Concerning the line extensions you mentioned, we simply believe that consumers have a right to "mental convenience". A brand should always provide orientation, which can get lost quickly when there is an abundance of variations.

MIR: *If you do not pursue a policy of line extension, how else do you generate growth? Did you essentially grow by creating and acquiring other brands?*

» We notice that the drinking occasion is more relevant than the customer type in most cases. «

UNDERBERG-RUDER: Correct. We firmly believe that it makes sense to offer different brands for different consumption occasions. As I mentioned before: when I read my book and want to enjoy sipping my Asbach on the side then that is just fine. This desire should not be fulfilled by any brand and, for mental convenience reasons, it can't be met by a different brand.

MIR: *The consumption occasions bring us to our next topic, namely customer insight management. How do you generate insights into these instances and consumption preferences at specific occasions and how they change over time? How do you manage this process?*

UNDERBERG-RUDER: I'll answer in two parts: first, as the owner, it is important that I am personally out in the field; especially in a medium-sized company this is crucial. I need to see how consumers make decisions in bars and restaurants and understand what topics touch or fascinate them and how they actually find the enjoyment they are looking for. Then, such experiences need to be translated into other channels as effectively as possible.

Second, there are the specialists for insight generation, the market research companies, and of course we cooperate very systematically with them in all our markets.

MIR: *It sounds like qualitative rather than quantitative research.*

UNDERBERG-RUDER: It depends. I would not start substantial market research projects without quantitative research. We can act cost-efficiently by working in close cooperation with resellers, especially internationally. After all, we do not organize the worldwide distribution ourselves and our distributors conduct market research that we can join cost-efficiently.

MIR: *So, you make your own observations as the owner of the firm …*

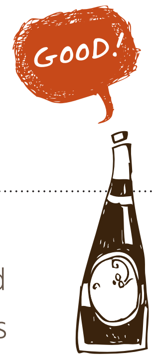
UNDERBERG-RUDER: Yes, but not just me as the owner, it´s part of the work of my marketing team and also my sales force. They are encouraged to do so on a daily basis.

MIR: *This doesn't really sound like a standardized and organized process but rather an ongoing task …*

UNDERBERG-RUDER: … sorry to interrupt, but of course it is standardized … there are feedback forms on the laptop of every sales rep via the intranet and they are to document any change on the shelves in the stores, or on the menus in bars. Sales reps ask their customers what the "drink of the week" is and why, for example. So our observations are quite systematic.

MIR: *It would be understandable, if a medium-sized company did not use the really large systems.*

UNDERBERG-RUDER: In fact they are not very large systems. The classical CRM tools we use for our smaller subsidiaries cost less than EUR 10,000. But they are standardized and have proven useful. The investment is more in the time you allocate to keep them up to date.



» We are almost a brand in the field of pharmaceutics and obviously this positioning between digestive effect and pleasure justifies the price gap. «

MIR: *I see. I was wondering most about how you identify occasions and monitor any changes as this seems difficult to pick up on in a conversation with a host or promotions rep, but apparently it works.*

UNDERBERG-RUDER: Yes, it is possible and we achieve it, for instance, within a segment of the catering industry. That is, when a rep or marketing person is out in a certain outlet and observes changes on the menu, he/she documents it in the system. When, within a short period of time, you find different notes pointing in the same direction, you can quickly identify trends. So, market observation on the frontline can be done systematically by our own staff. And it is easier than with the former written visit-reports as it is not oversized and we can use online reports.

MIR: *But do you use formalized targets of how many insights need to be generated or acted on later?*

UNDERBERG-RUDER: Well, data is usually entered by both marketing and sales, the interpretation is usually prepared by marketing, and of course there are formalized intervals to discuss these topics. We have fixed dates for editing the information and deriving insights per type of caterer. We break down our data for each type of outlet, because naturally, a night club follows different principles to a city lounge, restaurant or street festival.

By the way, for insight evaluation we have something that might be rather uncommon. We use a "brand steering committee" in meetings where we discuss the data. It is staffed not only with top managers from the company or marketing, but also with members from the boards that supervise our companies.

MIR: *And that is how you get a certain perspective from outside into the discussion*

UNDERBERG-RUDER: Exactly.

MIR: *It seems of high relevance for your innovation policy?*

UNDERBERG-RUDER: Yes, and on the one hand we organize it ourselves, but on the other we draw on classical market research. Of course, we buy classic panel data concerning sales for certain markets, in some cases even broken down to the level of single articles.

MIR: *Okay. Let's move on to the topic of sustainability of brand policy, because in this field you are known as a pioneer.*

UNDERBERG-RUDER: Thank you for this compliment. We are thriving to deserve it. First, I would mention economic sustainability meaning that a policy of gradual steps is maintained. By this, I believe, it is possible to quite effectively prevent short-sighted overreactions that can unfortunately be observed in some marketing departments.

MIR: *Okay. For you it partly means economically sustainable brand management.*

UNDERBERG-RUDER: Correct, that's what I wanted to point out in this regard.

MIR: *Let us consider ecological sustainability then, which you personally emphasize, according to what I know. Could you explain how you implement it at Underberg?*

UNDERBERG-RUDER: In any case it is important and a top priority – not just recently, but it has been for decades, and that's maybe most important. The environmental activities of my parents can be traced back to 1970. It shows that our house was active in this field even before the first ecological party was founded. Sustainability needs to be a genuine concern otherwise it remains just a lip service without any authenticity.

MIR: *Excuse my interruption. Would you attribute this near-natural positioning to the herbal philosophy of the product?*

UNDERBERG-RUDER: Yes, that might be a reason, but in our company we are all very aware of our dependence on the environment and nature in general. Therefore, we are closer than others to natural things, as a brand and as a company.

MIR: *Having acted like that for a long time already, how can you still be better than others and what exactly do you undertake now in respect of ecological sustainability.*

UNDERBERG-RUDER: The most important point is to keep the whole value chain clean. We try to stay on the ball, even after so many years and to first ensure our own company acts responsibly. An example would be the light glass bottle of the Underberg brand, to avoid driving around with unnecessary glass weight. Then I can mention glues, label colors and coatings. We take care that they are produced and discharged in an environmentally friendly way. We are concerned about electricity, energy and water usage.

What I am saying is that sustainability should not be sourced out or passed on but should be taken seriously within the company itself and should lead to ecological consciousness.

MIR: *Another, rather problematic side of sustainability for alcoholic beverages is the ethical responsibility for a sensible consumption of the sold products. Alcohol per se is treated with some suspicion and there is always the threat of governmental regulation. How do you deal with it?*

UNDERBERG-RUDER: Your phrase "threat of governmental regulation" makes me smile. We have always been one of the most regulated industries. There can definitely be no talk of "new". I believe it is justified, even if I have to point out a clear difference compared to other natural stimulants. In contrast to other stimulants, like for instance tobacco, alcohol, if consumed in moderation, is not harmful but even life-extending. Therefore, we put the case for USE instead of ABUSE when cooperating with government agencies. The topic should be the responsible and moderate consumption experience and not consumption per se. We reinforce relevant activities. For instance, we actively participate and promote in corresponding websites like www.massvollgenießen.de in Germany or www.verantwortungsvoll.at in Austria. There is similar commitment in Switzerland and Hungary, where you can check your own consumption habits and their health effects, for example. Further, we initiated activities to prevent alcohol being sold to youngsters over the counter. In Switzerland, for instance, we supplied grocery retailers with flyers in order to prevent the supply of alcohol to teenagers and at the same time to clarify the risks. Now, when children turn up and try to buy a bottle of vodka for their fathers, the cashier can, without effort, hand them a note which says in various languages: "Please do not send your child, but come to the register yourself. Thanks for your understanding". We have to be serious about these issues and have actively developed or joined similar activities for decades. For instance, we produced a video to train cashiers to prevent them from feeling pressured or bad when they refuse to sell the product. All these activities help to promote sensible use of alcohol and to put a stop to its abuse, at least to my understanding.

MIR: *But isn't it a fact that young people nowadays consume substantially more alcohol, which causes social problems?*

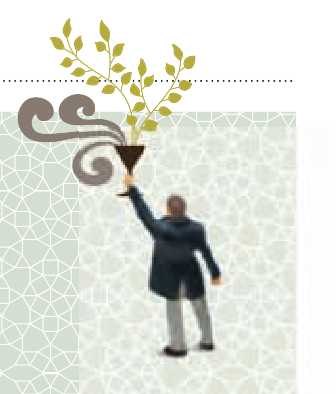
UNDERBERG-RUDER: That's wrong when looked on average figures and I can prove it. There are indeed more people who drink more and a few of them drink a lot more. But overall the consumption of spirits by young people is declining according to a report of the governmental drug commissioners.

It is certainly a problem that the respective candidates don't have just one or two drinks too many like it was 15 – 20 years ago, but 10 or 11 and end up in the hospital. This clientele unfortunately is larger, that's true, and instances are well covered in the media. But the per capita consumption of the age group "under 30" is lower than before. Our house and our whole industry cooperate with specialists and organizations to develop measures against this so called "binge drinking".

MIR: *Dr. Underberg-Ruder, let us broach the subject of internationalization. You grow through your international activities. How do you, as a medium-sized company, manage to enter the world? By acquisitions or internal growth or both?*

UNDERBERG-RUDER: When I talk about internationalization, I don't refer to the acquisition of Schlumberger, for instance, because that is still within the German-speaking world. For us, it is important to find professional partners, to avoid carrying along a large bundle of costs. In Germany, we distribute e.g., the brand Amarula from South Africa. In return, the Distell company distributes the Underberg product portfolio in the African countries. We cooperate with Distell in more than 10 African markets and that is a neat story. It works in a similar way with the Italian brand Averna. In some European countries we distribute it ourselves, while they are responsible for Italy. The same system applies to other countries.

MIR: *This is a nice example of international strategic cooperation. Are you equally successful in South-East Asia?*



» Customers don't like synthetic experiments, they want true experiences, things that fit well logically and emotionally. «

UNDERBERG-RUDER: Yes, we're there as well and are pleased with small organic growth. We work on it quite intensively because first of all you need to really understand each and every market. Only when you have done this you can really get started. This is a very challenging task because there is so much change in these markets, but I believe we face it well.

MIR: *Can a medium-sized company master such challenges, how do they affect your organization?*

UNDERBERG-RUDER: Like I mentioned before, we can't manage alone. If you have partners with a similar approach to business, who know the basics already, then it is possible. If you don't have a distributor you can use, it becomes really difficult. And generally, you can't hit the whole world at once, you need to define priority markets.

MIR: *Where is your focus at the moment?*

UNDERBERG-RUDER: One region we focus on is Asia, but it is still in its infancy. Another, more developed target area is Brazil. And we are actively developing the regions of Moscow and St. Petersburg with one full-time and one part-time employee. Sometimes it is more important to get a foothold in single regions or city areas, like Shanghai, than in whole countries.

MIR: *Is the USA not a focus?*

UNDERBERG-RUDER: Sure, the USA is important as well. We only just celebrated 125 years of Underberg in the USA. This has been a nice story. It is an important market for us, but not THE most important right now. After all, we have just experienced the drama of the impending insolvency of the United States and feared its consequences.

MIR: *May I finally take up the topic of innovation that we touched on before? How do you understand innovation in your company and which form of innovation do you prefer?*

UNDERBERG-RUDER: Well it is crucial to promote a spirit of innovation within the organization and to also live innovatively as the owner to underline its importance. One manifestation of our innovative spirit is that we declare our anniversary (the day of our foundation) a day of innovation instead of taking the conventional look into the past.

Another issue is how to generally discover or sense early enough where to set your main focus of innovation. Being medium sized you can't, of course, afford everything at once. I believe it is most important to be well-connected with partners within the industry and also with customers. When talking, e.g. with barmen or with star-rated restaurants, you learn about their innovative needs. Based on these talks, you can let your ideas flow and consider which concepts or brain power you can provide and what might actually be better than the existing approaches.

And our innovation priorities do not just refer to actual new products, but also to innovation of existing brands.

MIR: *Yes, that was what was behind my question.*

UNDERBERG-RUDER: The two aspects are both important to us. Right now, I am in the process of developing our corporate vision for the next 10 years together with our employees. We call it "Everything can be done better", better in the sense of a daily improvement or "always better". This is our central impetus, to keep moving on all aspects and to further improve even the good things.

MIR: *Hasn't Emil Underberg already coined the conviction that "Everything can be done better"?*

UNDERBERG-RUDER: Correct. Yes, exactly, this is our claim, our motto.

MIR: *Considering your focus on consumption occasions, can't you, for instance, be innovative in creating new occasions?*

UNDERBERG-RUDER: Right. Who would have talked about a Pitúrinha a few years ago? Nowadays, we have samba festivals here and there and Latino nights and so on. This is a trend that we have actively co-created, it would not exist like it does without marketing innovations.

MIR: *Could we put it like this: you create innovative environments for your products?*

UNDERBERG-RUDER: Create or look for. Because compatibility is key. That's why we talked about the segmentation of the catering industry before. Customers don't like synthetic experiments, they want true experiences, things that fit well logically and emotionally. I think that's one of the most important points in marketing in general. And this is our actual guideline for innovation.

MIR: *Dr. Underberg-Ruder, thank you very much for our open and informative conversation. I wish you and your company continued success.* •

{*Deutsche Zusammenfassung*}

Die „Risikoseite" von Markenkapital: WIE MARKENSTÄRKE DIE KAPITALKOSTEN REDUZIERT

Lopo L. Rego, Matthew T. Billett und Neil A. Morgan

Starke Marken können definitionsgemäß vergleichsweise höhere Preise erzielen und loyalere Kunden generieren. Dadurch beeinflussen sie die Unternehmensergebnisse positiv. Der monetäre Wert, der sich aus besseren Sympathiewerten, einem höheren Bekanntheitsgrad und einer höheren Zahlungsbereitschaft ergibt, wird auch als „konsumenten-basiertes Markenkapital" bezeichnet.

Ob und inwieweit sich starke Marken auch auf die Refinanzierungsmöglichkeiten der jeweiligen Unternehmen auswirken, ist eine neue Fragestellung. Sie erscheint vor allem deshalb reizvoll, weil sie das Interesse der häufig stark kapitalmarktorientierten Top-Manager auf eine Marketingzielgröße lenkt und im Falle eines positiven Einflusses auch das Standing des Marketing verbessern kann.

Die vorliegende Untersuchung liefert tatsächlich Beweise dafür, dass sich der Aufbau starker Marken auch im Risikobereich bezahlt macht. Die Autoren untersuchten den Einfluss des Markenkapitals von über 200 Unternehmen in den USA auf deren Kredit-Ratings sowie auf das systematische Risiko (den Risikoanteil, der für den gesamten Markt gilt und der sich in Volatilität und Niveau der Aktienkurse generell widerspiegelt) und das unsystematische Aktienkursrisiko (firmenspezifisches Risiko). Die Regressionsanalysen zeigten, dass sich ein höheres Markenkapital signifikant positiv auf das Risikopotenzial des Unternehmens auswirkt. Sowohl das systematische als auch das unsystematische Risiko können besser erklärt werden, wenn die Höhe des konsumentenbasierten Markenkapitals als Variable berücksichtigt wird (zusätzlich zu bereits bekannten Faktoren, wie Return on Assets, Unternehmensgröße und -alter, Ausmaß der Diversifikation etc.). Erwartungsgemäß war der risikoreduzierende Effekt beim unsystematischen Risiko höher als beim systematischen.

Ein entsprechendes Markenkapital wirkt sich also nicht nur kundenseitig positiv aus, sondern auch beim Risikomanagement. Starke Marken verringern die Volatilität des Aktienkurses und damit auch das Risiko des Kapitalanlegers. Unternehmen mit hohem Markenkapital können insofern mit reduzierten Kapitalkosten rechnen. Damit diese positiven Effekte auch voll zum Tragen kommen, sollten die folgenden Punkte berücksichtigt werden:

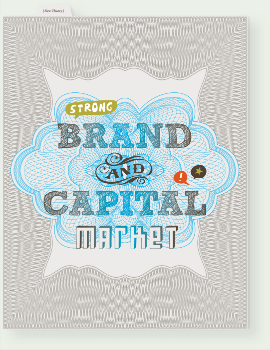
> Informationen, die das Markenkapital betreffen, sollten ein fixer Bestandteil in Finanzberichten sein, auch wenn sie gesetzlich nicht verpflichtend sind.

> Die Entwicklung von Standards für deren Aufnahme im Rahmen von immateriellem Anlagevermögen sollte forciert werden, um eine bessere Vergleichbarkeit zu gewährleisten.

> Die positiven Effekte von Markenkapital auf der Refinanzierungsseite sollten schon bei Investitionsentscheidungen und Amortisationsrechnungen von Marken berücksichtigt werden. Jedenfalls können Marketer die Argumente bei Budgetverhandlungen nützen, um entsprechende Mittel für den Aufbau von starken Marken zu erhalten.

Den ausführlichen Artikel in englischer Sprache finden Sie auf Seite …

… 8.



Schlüsselbegriffe:
Markenkapital, Markenbilanzierung, Risikomanagement, Shareholder Value

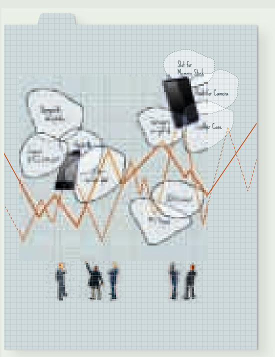
{*Deutsche Zusammenfassung*}

VIRTUELLE PRÄFERENZBÖRSEN ALS INFORMATIONSINSTRUMENTE BEI DER NEUPRODUKTENTWICKLUNG

Ely Dahan, Arina Soukhoroukova, und Martin Spann

Den ausführlichen Artikel in englischer Sprache finden Sie auf Seite …

… 16.



Immer kürzere Produktlebenszyklen und laufende Technologiesprünge stellen in vielen Branchen hohe Anforderungen an die Neuproduktentwicklung. Die unzähligen technologischen Möglichkeiten für Produktvarianten und die zunehmend wichtige „kollaborative Kreativität", die es Nutzern ermöglicht, Hunderte von Vorschlägen zu entwickeln, fordern neue Wege, um die Vielzahl an Möglichkeiten rasch einzugrenzen und zu priorisieren. Traditionelle Marktforschungsmethoden stoßen bei diesen Herausforderungen schnell an ihre Grenzen: Je größer die Zahl der zu evaluierenden Merkmale oder Produkte, desto teurer wird z. B. eine Conjoint Analyse für die Auftraggeber und desto ermüdender auch für die Teilnehmer.

Um eine marktkonforme Eingrenzung auf eine überschaubare Anzahl an Produktkonzepten rasch und vergleichsweise einfach zu ermöglichen, schlagen die Autoren einen Börsenmechanismus vor, bei dem es um die Dokumentation von Präferenzen geht und der in ähnlicher Form bereits in anderen Bereichen erfolgreich eingesetzt wurde (z. B. der Vorhersage von Wahlergebnissen). Man veranstaltet dabei unter einer nicht zwingend repräsentativen Gruppe von Teilnehmern einen Handel an Produktpräferenzen (eine Art Wette auf den Erfolg bestimmter Varianten), deren Preis sich nach der von den Teilnehmern eingeschätzten Attraktivität des jeweiligen Produktes richtet. Der Handel erfolgt virtuell, gehandelt werden skalierbare Präferenzen. Die Preise der einzelnen „Aktien" repräsentieren die Intensität der Präferenz für eine Produkteigenschaft oder ein ganzes Produktkonzept durch die einzelnen „Händler", vor allem aber ihre Erwartungen bezüglich der Präferenzen anderer. Damit kommt eine Art „Schwarmintelligenz" zum Zuge, deren Einschlägigkeit auch schon in vielen anderen Anwendungsfeldern bestätigt wurde. Durch den Handel ergibt sich letztendlich ein Gleichgewichtszustand, der den Konsens aller Händler in Bezug auf die gehandelte Eigenschaft repräsentiert. Der Handelsprozess dauert nur wenige Minuten lang, da alle benötigten Informationen (Produkteigenschaften und Konzepte) vorab vorliegen.

Die neue Methode wurde in zwei Studien getestet und hat sich dabei sehr gut bewährt. 56 unterschiedliche Design- und Konzeptaktien für Smartphone-Varianten wurden in den virtuellen Handel von zwei unterschiedlichen Händlergruppen gegeben (eine Gruppe von MBA-Studenten und eine von Managern und Ingenieuren eines großen Unternehmens). Die Experimente, bei denen die „Händler" den Wert ihres Portfolios zu maximieren versuchten, dauerten ca. 50 Minuten. Es wurden also Aktien von Produkteigenschaften, die als zu niedrig bewertet wurden, gekauft und zu hoch bewertete verkauft. Gemessen an den später tatsächlich beobachtbaren Erfolgen bestimmter Smartphone-Typen gelang es den Händlern gut, die Präferenzen der anderen Teilnehmer einzuschätzen, voneinander zu lernen und zu einem Konsens bezüglich des skalierbaren Wertes der zur Auswahl stehenden Eigenschaften zu gelangen.

Die Methode erwies sich als sehr praktikabel und erscheint vor allem für Produktkategorien geeignet, in denen die Präferenzen stark von anderen Marktteilnehmern beeinflusst sind (z. B. Mode). Sie ist vor allem in der Phase der Eingrenzung potenzieller Eigenschaften und Konzepte eine mögliche Alternative bzw. gute Ergänzung zu traditionellen Methoden. Die virtuelle Präferenzbörse liefert allerdings keine individuellen Präferenzen. Um Daten auf individueller Ebene oder in Bezug auf die Heterogenität der Teilnehmerpräferenzen zu erhalten, sind Methoden wie die Conjoint Analyse angebrachter. •

Schlüsselbegriffe:
Neuproduktentwicklung, Produktdesign, Produkttests, Virtuelle Börsen, Präferenzmärkte

{Deutsche Zusammenfassung}

Kleineres Sortiment – mehr Ertrag
WAS HÄNDLER UND HERSTELLER BEI DER REDUKTION VON SORTIMENTEN BERÜCKSICHTIGEN SOLLTEN

Laurens Sloot und Peter Verhoef

Um die Beschaffungskette laufend zu optimieren, werden Sortimente immer wieder neu gestaltet. Einzelne Produkte werden ausgelistet, andere kommen dazu. Ein Auslichten macht durchaus Sinn, da zu große Sortimente Konsumenten leicht verwirren. Zu viel an Auswahl kann dazu führen, dass Konsumenten überfordert sind und überhaupt nichts kaufen. Andere Produkte fallen neu entwickelten Handelsmarken, den harten Preisverhandlungen von mächtigen Handelsunternehmen oder Repositionierungsbestrebungen zum Opfer, die mit Verschiebungen im Sortiment einhergehen. Allerdings birgt die Reduktion von Sortimenten auch Risiken, da Konsumenten vergrault werden könnten, wenn sie z. B. ihr Lieblingsprodukt nicht mehr vorfinden. Deshalb ist es wichtig, die „richtigen" Produkte auszulisten und mögliche Konsumentenreaktionen vorherzusehen.

Zwei neue Untersuchungen geben interessante Aufschlüsse darüber, wie sich das Einkaufsverhalten und die Beurteilung des Sortiments bei einer Sortimentsreduktion entwickeln.

Im ersten Fall wurde analysiert, wie Konsumenten auf die Reduktion eines Waschmittelsortiments reagieren. Von 150 Waschmittelartikeln wurden 37 Artikel entfernt. Kurzfristig war ein Umsatzrückgang von 20 % zu beobachten, der aber in den folgenden 12 Wochen laufend geringer wurde und gegen Ende nicht mehr im signifikanten Bereich lag. Der Rückgang entstand, weil Käufer der ausgelisteten Produkte in der gesamten Kategorie deutlich weniger kauften. Dafür zog das bereinigte Sortiment einige Kunden an, die vorher in dieser Kategorie keine Einkäufe getätigt hatten. Die Auswahlmöglichkeiten wurden vor und nach der Sortimentsreduktion gleich gut beurteilt. In puncto Sucheffizienz wurde das bereinigte Sortiment deutlich besser beurteilt, was durch stark reduzierte, gemessene Suchzeiten (14 statt 20 Sekunden) auch objektiv bestätigt wurde. Auch die Zufriedenheit mit dem Sortiment nahm nach der Reduktion zu. Die zweite Studie zeigte, dass es riskanter ist, starke Marken zu eliminieren als schwache und dass Genussprodukte kritischer sind als rein funktionale.

Folgende Handlungsempfehlungen leiten sich aus diesen Ergebnissen für Händler und Produzenten ab:

Für Händler macht es Sinn,

> Sortimente laufend und proaktiv zu bereinigen.

> Für die Entscheidung, welche Produkte tatsächlich ausgelistet werden, sollten mehrere quantitative und und qualitative Kriterien herangezogen werden. Bei genussorientierten Produkten und starken Marken oder einzigartigen Produkten ist mit stärkeren Reaktionen zu rechnen als bei funktionalen, vergleichbaren oder weniger bekannten Marken. Natürlich sind aber auch Margen, Umsatz und Umschlag der einzelnen Produkte relevant und in die Überlegungen mit einzubeziehen.

> Kurzfristige Umsatzeinbußen könnten irreführend sein und die Entscheidungen sollten erst nach Ablauf von mehreren Wochen evaluiert werden.

Auch Produzenten

> sollten proaktiv agieren und durch Kooperation mit wichtigen Handelspartnern laufend die Entwicklung der Kategorie beobachten und steuern.

> Durch den Aufbau starker Marken erreichen Hersteller bei Preisverhandlungen und drohenden Auslistungen eine bessere Verhandlungsposition, da bei einer Auslistung meist auch die Händler mit höheren Verlusten konfrontiert sind.

> Produzenten, die sich über die Stärke ihrer Marke im Klaren sind, können einer Margenerosion besser entgegenwirken. •

Schlüsselbegriffe:
Sortimentspolitik, Sortimentsbereinigung, Auslistung

Den ausführlichen Artikel in englischer Sprache finden Sie auf Seite …

… 26.

{*Deutsche Zusammenfassung*}

WIE MAN AUS MITARBEITERN MARKENBOTSCHAFTER MACHT UND WAS DER FÜHRUNGSSTIL DABEI FÜR EINE ROLLE SPIELT

Felicitas M. Morhart, Walter Herzog und Torsten Tomczak

Den ausführlichen Artikel in englischer Sprache finden Sie auf Seite …

… 34.

Mitarbeiter leisten einen entscheidenden Beitrag zum Erfolg von Servicemarken. Während bei klassischen Produktmarken ein physisch existierendes Produkt im Vordergrund steht und die Wahrnehmung der Marke prägt, spielt bei Servicemarken das Verhalten der Mitarbeiter im Kundenkontakt die entscheidende Rolle. Wie bringt man aber Mitarbeiter dazu, mit entsprechender Emphase als Markenbotschafter zu agieren? Unter anderen Einflussfaktoren spielt das Verhalten von Führungskräften dabei eine wichtige Rolle.

In der Führungstheorie unterscheidet man zwischen einem transaktionalen und einem relationalen Führungsstil. In Bezug auf Marken ist Ersterer gekennzeichnet durch klar definierte markenspezifische Verhaltensregeln. Deren Einhaltung wird überprüft und belohnt, während abweichendes Verhalten Korrekturen und Sanktionen unterliegt. Ein relationaler Führungsstil baut auf die Internalisierung der wichtigsten Markenwerte seitens der Mitarbeiter, die aus innerer Überzeugung gelebt werden und deshalb auch nicht einer permanenten Kontrolle bedürfen. Charakteristisch für diesen Zugang sind charismatische Führungspersönlichkeiten, die die entsprechenden Markenwerte vorleben, Mitarbeiter motivieren und unterstützen und auf deren Eigenverantwortung setzen.

In einer einschlägigen Fallstudie untersuchten die Autoren bei ca. 270 Servicemitarbeitern eines Schweizer Telekommunikationsunternehmens die Auswirkungen des Führungsstils auf markenfördernde Verhaltensweisen, sowohl am Arbeitsplatz als auch als Privatpersonen (z .B. durch Mundpropaganda) sowie deren Treue zum Unternehmen als Arbeitgeber. Zusätzlich wurden in einem Strukturgleichungsmodell die psychologischen Mechanismen untersucht, die zu den entsprechenden Verhaltensweisen führen.

Die Ergebnisse zeigen in diesem spezifischen Fall folgendes Bild:

> Ein relationaler Führungsstil ist zur Förderung von markenkonformem Verhalten effektiver. Markenwerte werden deutlich besser internalisiert, was sich positiv auf Verhalten und Verbleibdauer der Mitarbeiter im Unternehmen auswirkt.

> Ein stark transaktionaler Führungsstil bewirkt hauptsächlich ein eher rational motiviertes Befolgen von Markenstandards ohne großes Engagement und wirkt sich eher negativ auf das markenkonforme Verhalten am Arbeitsplatz und im privaten Umfeld aus.

> Da im Unternehmensalltag durchaus auch Mischformen der einzelnen Führungsstile beobachtbar sind, wurde auch untersucht, wie sie interagieren. Dabei zeigte sich, dass transaktionale Komponenten einen Katalysatoreffekt auslösten und die positiven Effekte eines relationalen Grundstils verstärkten, wenn sie gering dosiert ausfielen. Zu starke transaktionale Komponenten hingegen neutralisierten die Vorteile eines relationalen Stils.

> Eine weitere Studie zeigte, dass ein markenspezifischer relationaler Führungsstil durch spezifische Trainings verbessert werden kann. Unternehmen können ihr Führungspersonal demnach in Richtung relationaler Führung entwickeln und damit gleichzeitig auch den Markenauftritt verbessern.

Schlüsselbegriffe:
Unternehmensmarke, Dienstleistungsmarke, Service, Relationale Führung

{Deutsche Zusammenfassung}

ERHEBEN VON MARKTINFORMATIONEN – EINE AUFGABE FÜR DAS TOPMANAGEMENT?

Nukhet Harmancioglu, Amir Grinstein und Arieh Goldman

Marktforschung über die Märkte eines Unternehmens ist notwendig, um geeignete Marketingstrategien zu finden, erfolgreiche Innovationen zu entwickeln und überdurchschnittlich effektive und effiziente Marketingergebnisse zu erzielen. Darin liegt ein zentrales Credo des Marketing-Konzeptes. Normalerweise sind Topmanager in den Marktforschungsprozess aber nicht direkt involviert. Sie verlassen sich vielmehr auf die aufbereiteten und zusammengefassten Daten ihrer Marktforschungsmitarbeiter oder externer Marktforschungspartner und sind insofern mehr Kunden als Produzenten von Marktinformationen. Geschuldet wird dies einer arbeitsteiligen Marketingorganisation, in der spezialisierte Marktforscher effektivere und effizientere Ergebnisse erbringen sollen als Generalmanager.

Sind diese Spezialisierung und die damit verbundene Abkoppelung der Marktforschung von den eigentlichen Entscheidungsträgern aber tatsächlich effektiv? Sollten nicht auch Top-Manager in den Marktforschungsprozess aktiv eingebunden werden, um ihren Blick für die Marktentwicklungen zu schärfen und die spezifischen Informationsquellen der Top-Manager zu nutzen? Manche unter Umständen hoch relevante Information, könnte ansonsten ja verloren gehen. Darüber hinaus können sich durch die Trennung von Marktforschung und Entscheidungsfindung unterschiedliche Prioritäten zwischen dem Topmanagement und der mittleren und unteren Managementebene ergeben, die Spannungen erzeugen und die Umsetzung von Marketing-Programmen bremsen können.

In der vorliegenden Studie wird geprüft, ob sich das Engagement der Unternehmensleitung bei der Erhebung von Marktdaten tatsächlich positiv auf die Ergebnisse auswirkt. Mit Hilfe standardisierter, persönlicher Interviews in israelischen B2B-Unternehmen wurden Daten zur Erhebung von Marktinformationen von Mitarbeitern und Topmanagern sowie zur Innovationsstärke und zu den Unternehmensergebnissen erhoben. Regressionsanalysen zwischen dem Ausmaß der Beteiligung des Top-Managements und verschiedenen Erfolgsvariablen zeigten folgende Ergebnisse:

> Marktforschung wirkt: Die Sammlung von Marktinformationen wirkt sich generell positiv auf das Innovationsniveau der Unternehmen aus.

> Dieser Effekt wird deutlich verstärkt, wenn sich auch das Topmanagement direkt an der Erhebung von Marktinformationen beteiligt.

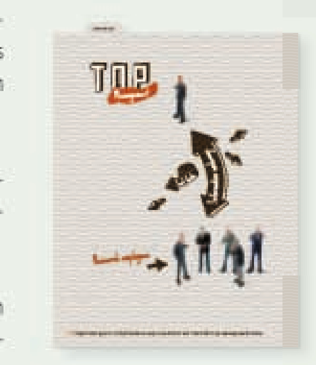
> Beide Effekte sind besonders ausgeprägt bei kleineren Firmen und High-Tech-Unternehmen. Das ist vermutlich auf die dort meist generell geringere Arbeitsteilung und die besondere Rolle des technischen Wissens der Unternehmensleiter zurückzuführen.

> Das Engagement der Führungsspitze bei der Informationsbeschaffung signalisiert offensichtlich intern den Wert solcher Informationen und hilft somit bei Aufbau und Pflege einer marktorientierten Unternehmenskultur.

> Die erfolgreichere Innovationstätigkeit der Unternehmen, bei denen das Topmanagement an der Marktinformationserhebung aktiv beteiligt ist, bedingen in weiterer Folge auch positivere Unternehmensergebnisse. Marktforschung ist also auch effizient.

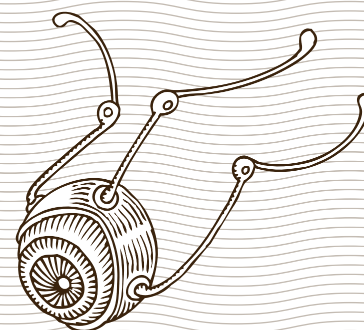
Den ausführlichen Artikel in englischer Sprache finden Sie auf Seite …

… 44.



Schlüsselbegriffe:
Marktforschung, Marketingorganisation, Kundenorientierung, B2B- Marketing

NEXT ISSUE PREVIEW



THEMES

Dynamically Allocating the Marketing Budget:
How to Leverage Profits across Markets, Products
and Marketing Activities
Marc Fischer, Sönke Albers, Nils Wagner and Monika Frie
/ / /

Measuring Consumers' Willingness to Pay:
Which Method Fits Best?
Klaus M. Miller, Reto Hofstetter, Harley Krohmer, and Z. John Zhang
/ / /

Seeding a Message to Harvest Reach:
Predicting and Optimizing the Spread
of Electronic Word-of-Mouth
Ralf van der Lans, Gerrit van Bruggen, Jehoshua Eliashberg and Berend Wierenga
/ / /

To Zap or Not to Zap:
How to Insert the Brand in TV Commercials
to Minimize Avoidance
Thales Teixeira, Michel Wedel and Rik Pieters
/ / /

A closer look on Emotional Intelligence
in Marketing Exchange
Blair Kidwell, David M. Hardesty, Brian R. Murtha and Shibin Sheng
/ / /

GfK MIR Vol. 4, No. 1, 2012 is forthcoming
in May 2012

ACKNOWLEDGEMENTS

GfK Marketing Intelligence Review© is published biannually and replaces the "GfK Jahrbuch der Absatz- und Verbrauchsforschung" / "Yearbook of Marketing and Consumer Research", which has been published since 1954. It focuses on topics from Marketing Intelligence and presents rewritten versions of already published scientific articles from leading marketing journals by authors with the highest reputation in a readable form for practitioners.
/ / /

Publisher
GfK-Nürnberg e.V. (the GfK Verein)
/ / /

Editor-in-Chief
Hermann Diller
/ / /

Operating Editor
Christine Kittinger-Rosanelli
/ / /

Editor
GfK-Nürnberg e.V.
Nordwestring 101
D-90419 Nuremberg
Germany
Tel +49 911 395 22 31
Fax +49 911 395 27 15
Email: info@gfk-verein.org
www.gfk-verein.org
www.gfkmir.com
www.gfk.com
/ / /

Design & Art Direction
Scheufele Hesse Eigler Kommunikationsagentur GmbH
/ / /

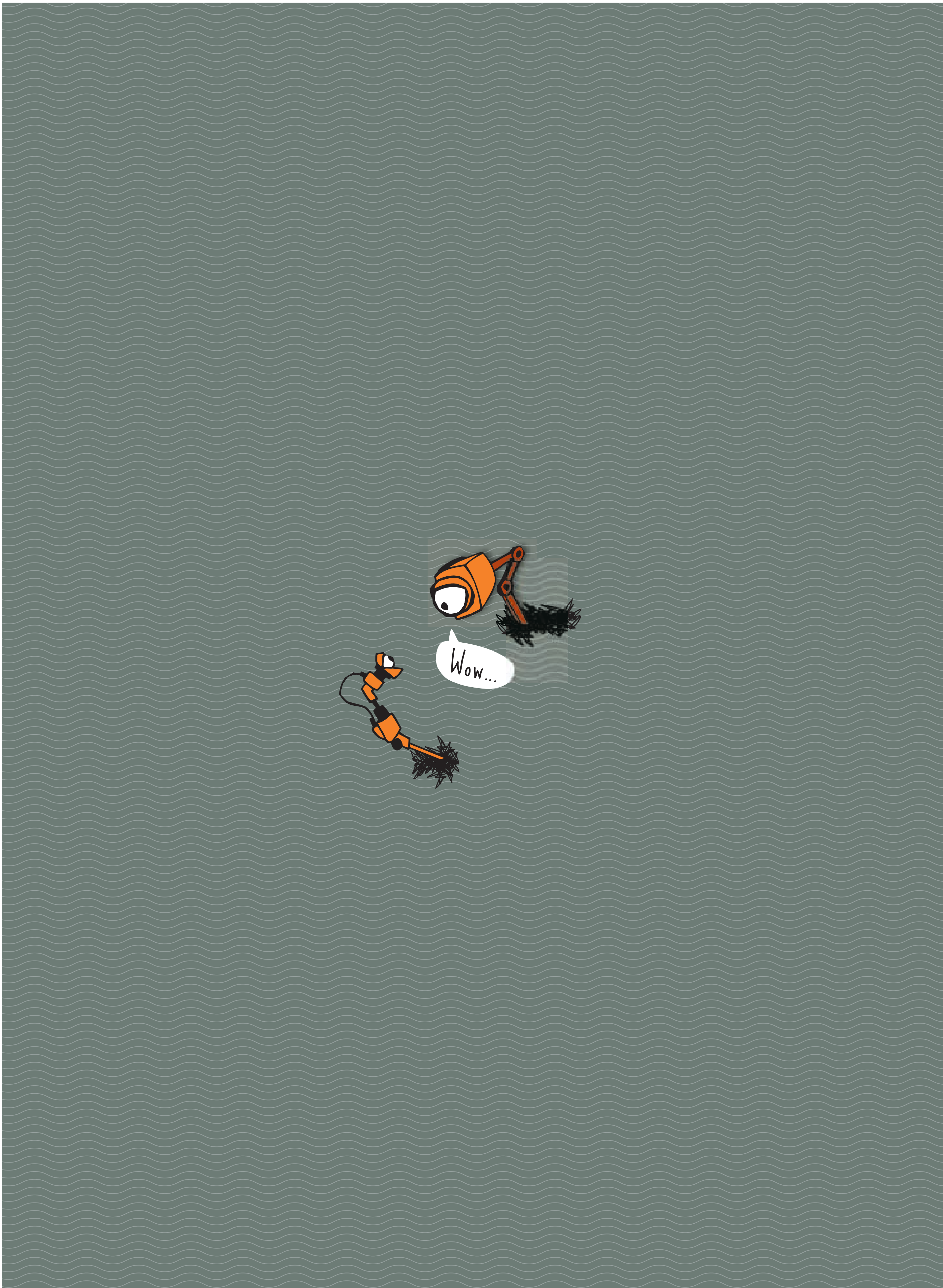
Print
Druckerei Eugen Seubert GmbH, Nuremberg
/ / /

Lithography
607er Druckvorlagen, Darmstadt
/ / /

Subscriptions
75 € per annum
/ / /

ISSN 1865-5866
/ / /

GfK Verein


Wow...