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GfK Marketing Intelligence Review

GfK Verein

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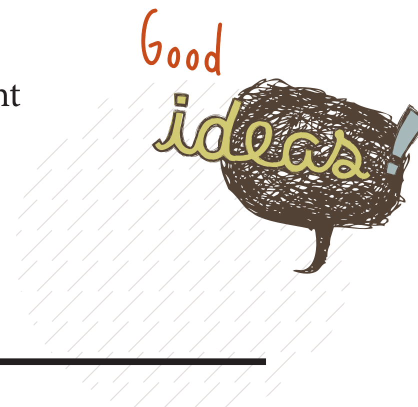

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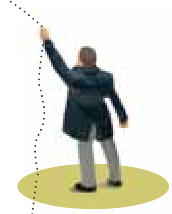

German Summaries

Look out for our supplement with German summaries. If it is not povided you can order it at info@gfk-verein.org

Editorial Board

Editorial

The internet has considerably changed the way we organize our lives. Naturally, it has also changed marketing. The voice of the consumer is much louder now, and everybody participates in processes that were previously reserved for professional marketers alone. Companies face extensive C2C communication in social media and on consumer platforms. Shoppers chatting about brands can be positive or negative, and this offers a wide range of opportunities. These are expanded upon in three of our articles.

This issue of GfK MIR offers insights into the success of *referral programs* (p. 8), as well as into how companies can benefit from the information exchange among consumers in *online brand communities* (p. 12). Often consumers act as brand ambassadors by *sharing information* with friends. Another study investigates how emotions impact the probability that content will be passed on (p. 18).

Online media also play an increasing role in *sales promotions*. In our new category, ''MIR-Forum'', two experts comment on the latest developments in their companies' sales promotions. Instead of publishing an extensive interview with one person, we present a number of opinions and connect them to one of our articles. Our first ''MIR-Forum'' (p. 53) is based on the article on page 49. It deals with the interesting interplay between shopping orientation and the framing of sales promotions. We hope you enjoy this new form of practice report.

In addition, you can discover other research topics, with insights that often prove surprising. On page 24 we report on the hazard of *technological disruption*, a very real threat in today's dynamic technological environment. Our next article (p. 31) demonstrates, in a series of experiments, that *extending a brand* to more basic levels is less critical than previously assumed. We also pick up the discussion on the role of design in product development and present a new, *objective approach to evaluating the design* of car models (p. 38).

Our regular readers might observe that in this issue, we provide a greater number of shorter articles, aiming to focus more intently on the key points and use simple, accessible language. We have acted on your feedback to the previous issues of MIR, and hope that browsing through the world of marketing research is now even more enjoyable.

Yours
Hermann Diller
Editor-in-chief

Nuremberg, May 2012

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Referred customers are more profitable and more loyal.

Do Referral Programs Increase Profits?

Philipp Schmitt, Bernd Skiera and Christophe Van den Bulte

KEYWORDS

Customer Referral Programs, Customer Acquisition, WOM (Word-of-Mouth), Customer Management, Loyalty, Customer Value

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Consumers love to share experiences within their social networks. Just about anything – from photos to jokes or instructional material – is passed on and exchanged, either electronically or in person. Unsurprisingly, marketers increasingly use word of mouth (WOM) to promote products or acquire new customers. But is such company-stimulated WOM effective? Are customers who are referred by other customers really worth the effort?

A recent study clearly says "yes" /// We compared two groups of customers acquired by a leading German bank over a three year period. All of the first group were customers acquired through the bank´s referral program. The second group comprised a random sample of customers acquired through other means such as direct mail or advertising over the same period of time. An analysis of almost 10,000 accounts over a 33-month period showed that those referred by other customers generate higher profit margins, are more loyal and show a higher customer lifetime value (CLV).

Referred customers are more profitable /// Referred customers are, on average, 4.5 cents per day more profitable than other customers. The gap is even larger after controlling for differences in customer demographics and time of acquisition. Whereas the average contribution margin of non-referred customers is 30 cents/day, customers acquired through the referral program have a margin 7.6 cents/day higher, an increase of about 25 %. The difference in contribution margin is the highest in the first year after the acquisition, but decreases over time.

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The speed at which referred customers churn and leave the bank is, on average, about 18 % lower than that of other customers.
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Referred customers are more loyal /// The speed at which referred customers churn and leave the bank is, on average, about 18 % lower than that of other customers. In contrast to the eroding difference between referred and non-referred customers in the contribution margin, there is no such erosion in customer retention.

The difference in customer lifetime value varies according to customer /// The lifetime value of referred customers, measured over a six-year horizon, was 16 % higher, on average, than that of non-referred customers with similar demographics and time of acquisition. Breaking down the data by age (see Figure 1) shows that the difference in lifetime value between referred and non-referred customers is most pronounced among younger people and among retail (as opposed to private banking) customers.

The referral program pays off /// Every existing customer who brought in a new customer received a reward of € 25. Given the average difference in customer lifetime value of € 40, this amount implies a Return on Investment (ROI) of roughly 60 % over a six-year period. And this calculation does not even take into account that the total acquisition costs of referred customers are around € 20 lower than those of other customers. The 60 % ROI is therefore a rather conservative estimate.

Can these results be generalized? /// Though the findings pertain to a single company from a single industry, there are several reasons to expect referred customers to be more valuable than other newly acquired customers.

> First, people prefer to keep an even balance in their social exchanges. Because referring customers receive a reward, customers are likely to feel obliged to bring in new customers who they think may be valuable to the company. Second, even apart from any monetary incentives, people feel better if they generate a match that works for both the company and the referred person. Most people would recommend a product to a friend or family member only if they believe it to be relevant and useful for the other person.

> Further, having a person close to oneself who is a customer of the same company should increase one's trust in the company and strengthens the emotional bond they have with it. This effect implies that referred customers are less likely to churn than non-referred customers, provided that their referrer does not churn either (which is usually the case for customers who are willing to recommend a product or service).

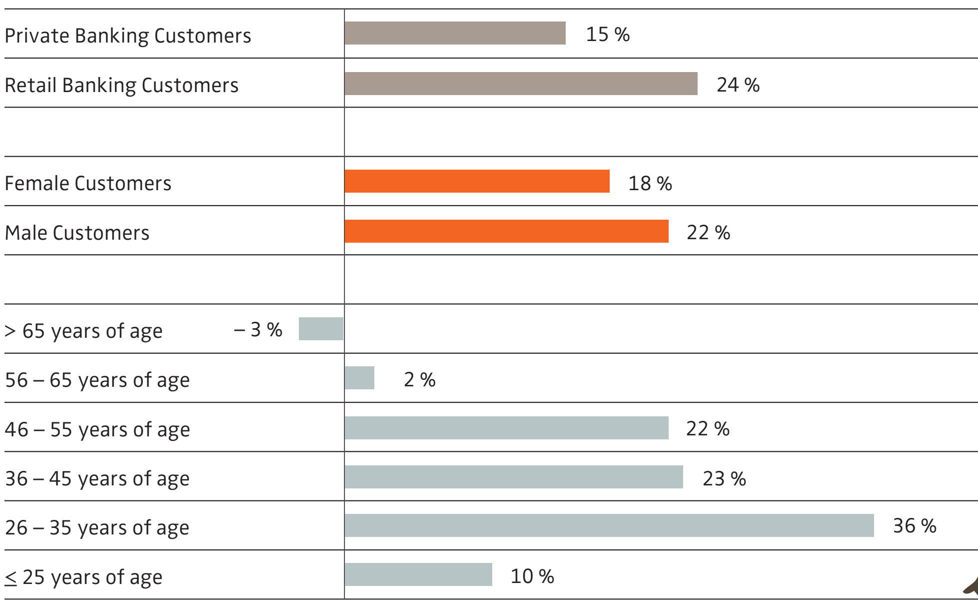
> Finally, acquisition through referral can also result in informational advantages, making referred customers more profitable than other customers. Referred customers are likely to have discussed the company's offerings with their referrer. As a result, they are likely to use its products more extensively than novice customers who take a more cautious approach in building involvement.

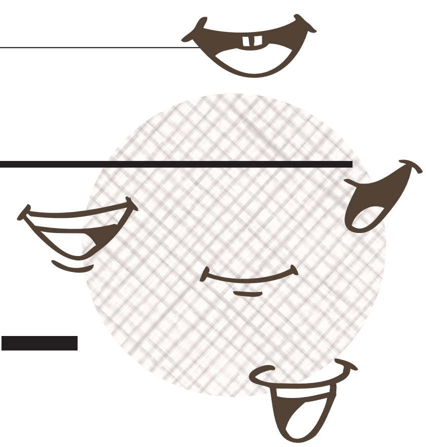
The encouraging results of this study, however, do not imply that "viral-for-hire" works in each and every case. Referral programs should be most beneficial for products and services that customers might not appreciate immediately. Products and services that imply some sort of risk should also benefit more than average from referrals because prospects are likely to feel the risk is lower when a trusted person has positive experiences.

Managerial implications /// The study shows that referral programs can help companies to selectively acquire more valuable prospects and to retain them longer at lower cost. However, companies should think carefully about which prospects to target with referral programs and how big of a referral fee to provide. For the program we analyzed, we found that the customer value differential is much larger in some segments than in others. Hence, instead of the currently practiced "all in" approach, companies should design and target referral programs such that attractive customers are more likely to be pulled in. Additionally, a referral should be monitored closely to see if it is effective at identifying good prospects and if acquisition costs do not exceed the subsequent value of the customers.

FIGURE 1:

Percentages differences in customer lifetime value





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Managerial summary of the "Journal of Marketing" article that received the 2011 MSI/H. Paul Root Award for making the most significant contribution to the advancement of the practice of marketing:

Schmitt, Philipp; Skiera, Bernd; Van den Bulte, Christophe (2011), "Referral Programs and Customer Value," Journal of Marketing, Vol. 75 (January), pp. 46 – 59.

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What's Your Experience With … ? C2C Communication Helps Sell Your Products

Mavis T. Adjei, Stephanie M. Noble and Charles H. Noble

KEYWORDS

C2C (Customer-to-Customer) Communication, Online Brand Communities, WOM (Word-of-Mouth), Social Media

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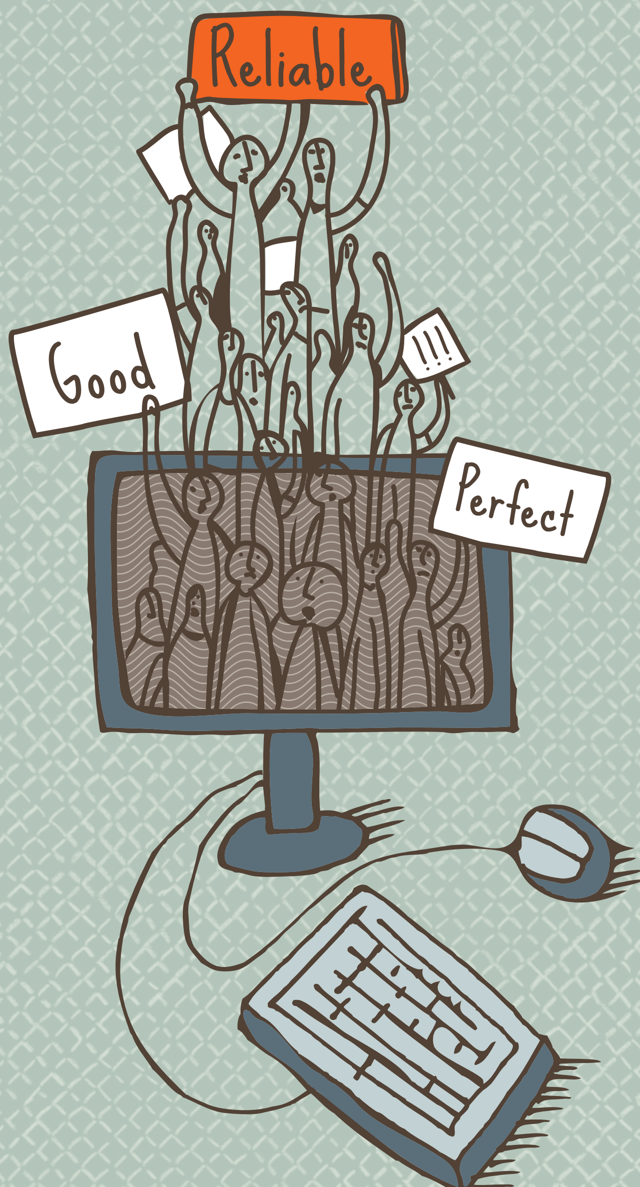
Advice from other consumers is helpful /// Consumers increasingly use the internet as a vehicle for pre-purchase information gathering. Online brand communities and the communication in their forums and chat rooms has become a valuable source of information for many consumers. Instead of relying on potentially biased selling points that can be gleaned from corporate websites or brochures, consumers depend on the experiences of others, and the information they are willing to share, to obtain a clearer picture. However, not only consumers benefit from the experiences of other members. High-quality online conversations can also help the company. Indeed, online brand communities are effective tools for influencing sales, regardless of whether these communities reside on company-owned or independently-owned websites.

Online brand communities reduce consumer doubt and increase sales /// Communication in online brand communities makes consumers more confident in their purchase decisions. If they find comments that address their concerns and information needs, they are ultimately moved closer to a purchase decision.

That's the key result of an in-depth study of two different discussion forums on high-quality woodworking equipment. One forum was on the corporate website of a market leader in the industry and the other was hosted on an independently-owned website (Yahoo! Groups), but was identified as being for users of a particular competitor.



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Online Brand Communities Reduce Uncertainties
of Consumers and Increase Sales.

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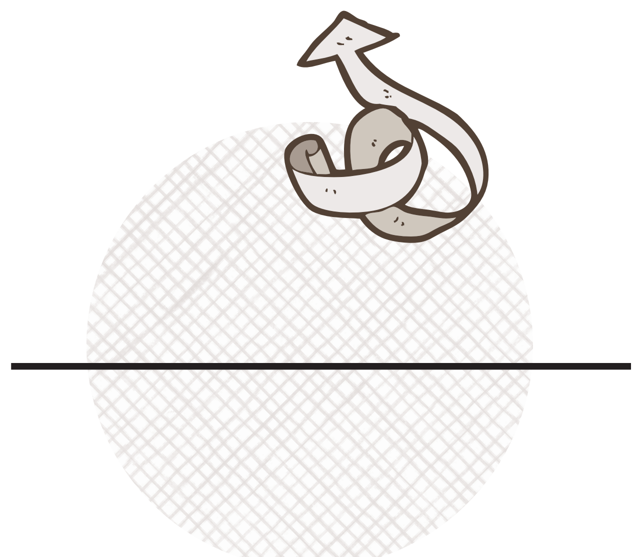


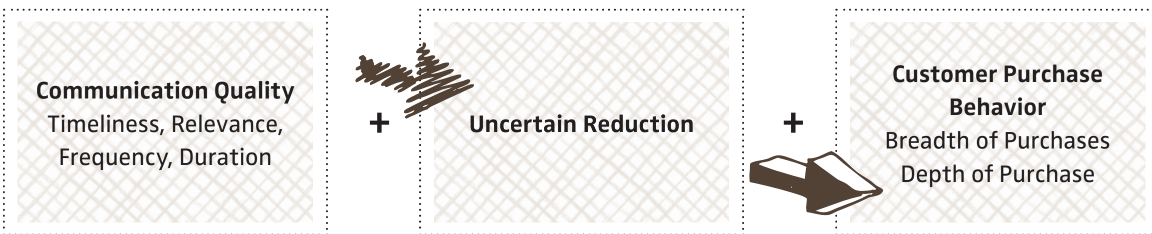
The researchers combined data from three different sources to develop a detailed picture of the impact of the ongoing online communication:

- Insights from qualitative analysis of a large sample of communication threads
- Data from a survey on the perceived quality and usefulness of the information
- Actual purchase information from the company's customer data.

Figure 1 illustrates how communication quality is related to purchase behavior for the high involvement tools within a price range of US$ 1,000 to US$ 20,000. A higher quality of consumer comments reduced subjective uncertainties. The perceived quality depended primarily on the timeliness, relevance and intensity of the communication and, in turn, influenced customer purchase behavior in a positive way.

In other words, several relevant and extensive replies within a short period of time provided assurance to consumers and increased the number of products bought from the company as well as the number of categories of bought products. This effect was strongest for information acquired for the more complicated products.

FIGURE 1:
The influence of online brand communities on purchase behavior



Company-sponsored forums are perceived as equally credible /// Interestingly, results did not differ for the company-sponsored and the independently owned discussion forum. Consumers felt that the information was credible on both types of OBCs (i.e., independent and corporate sponsored communities). Even if this result cannot be generalized for all online forums, it shows that well managed corporate sponsored sites can be perceived as credible and valuable sources of information that generate WOM effects. It is therefore worthwhile for companies to invest in sponsoring online forums.

Positive information helps more than (a little) negative information harms /// But what happened when the received information was negative? Counter to expectations, exchanged information had a greater effect when it was positive rather than negative. Although negative information did to some extent lessen the degree of uncertainty reduction for purchase behavior, these effects were not significant. Positive information enhanced the influence of uncertainty reduction on these outcomes more substantially than the negative impacted the depletion.

However, this is not to say that companies with very low product quality and low customer support need not worry about the negative information posted online. In this study there was only a low volume of negative information and the picture might change when there is more negative information. ''Some negative information does not significantly decrease customers' purchases, but an overwhelming amount of negative information could definitely do harm'', the researchers explain. They assume some threshold level of negative information that consumers need to see before abandoning a purchase decision. ''Some negative information, for example, 'the company says the product will be delivered in 1 week, but expect 3 weeks – don't believe what they say!' reduces uncertainty and sets consumers' expectations so that they might be pleasantly surprised if the company exceeds their expectations. This type of low level of negative information is probably unlikely to turn a consumer away from a company due to switching and information search costs. However, a preponderance of negative information would probably force the consumer to abandon the purchase decision and look elsewhere for the desired product.''

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Some negative information does not significantly decrease customers' purchases, but an overwhelming amount of negative information could definitely do harm.
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Information from "experts" is preferred /// The effect of communication quality on uncertainty reduction was stronger for complex products and when the respondents were perceived to be experts. C2C communication is more powerful when the recipient believes that the source of information is experienced rather than a relative novice on the subject of that particular product. Experienced respondents' information is valued more because it leads to a greater reduction in uncertainty. Hence, the more complex a product, the more consumers rely on online advice from respondents they perceive as experts.

Experts benefit more than novices because they ask "better" questions /// Online C2C communication reduced the level of uncertainty about the company more when the individuals seeking information perceived themselves to have extensive knowledge or experience of the product. In fact, people with higher expertise asked very specific and more technical questions about products. On the other hand, those with lower expertise tended to ask more general/broader questions. It seems that specific questions yielded more specific answers and reduced uncertainty more than general questions which yielded general answers. Experienced forum members might also be better equipped to sift through large amounts of information more efficiently and effectively, and might be able to process it better than novices; therefore this information may have had more of an influence on uncertainty reduction for experienced consumers.

Managerial Implications

- **Motivate and support online communication** /// Communication quality ultimately strengthens B2C relationships and increases sales, OBC managers should therefore strive to enhance the levels of all aspects of communication (i.e., frequency, duration of conversations, relevance, and timeliness of the information exchanged among community members) rather than focusing on only the volume, as is usually the case. Managers of companies that offer products requiring substantial cognitive effort and learning should emphasize forums for tutorials on the purchase and consumption of such products. For example, companies selling these goods should highlight user forums on their websites, even if they are not the sponsor of those sites.

- **Make "expert" levels visible** /// Companies can provide additional value of online brand communities by introducing some measure of the quality of postings in addition to merely counting the number of an individual's postings. For example, some sites such as Amazon.com have introduced a "helpfulness" rating system that users apply to the product reviews of other users. According to the study results, this is a very worthwhile practice for maximizing the reduction of pre-purchase uncertainty, and similar techniques should be applied to make product-specific discussion forums more effective. Promoting the expertise or competence of each forum member beside the messages that he/she has posted should help other consumers and ultimately lead to increased purchases.

- **Don´t risk credibility with censorship** /// Highlighting any forum poses risks to the company due to the possibility that dissatisfied customers will spread excessive amounts of negative online word-of-mouth. One option to offset this possibility is the practice of some level of censorship for extremely negative, profane, inflammatory and off-topic posts. In fact, most forums, even those independently supported, practice some level of this type of censorship. However, corporate credibility is threatened when this is practiced on a company-owned site. "Given the general value of most C2C communications as documented in this study, we suggest a largely 'hands-off' approach for companies engaged in online forum content management", says Mavis Adjei.

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Managerial Summary of an article published in the top academic journal "Journal of the Academy of Marketing Science":

Adjei, Mavis T.; Stephanie M. Noble; Charles H. Noble (2010): "The Influence of C2C Communications in Online Brand Communities on Customer Purchase Behavior", Journal of the Academy of Marketing Science, Vol. 38, pp. 634 – 653.

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Emotional aspects of content impact on whether it is shared.

Emotion and Virality: What Makes Online Content Go Viral?

Jonah Berger and Katherine L. Milkman

KEYWORDS

Viral Marketing, Word-of-Mouth, Social Transmission, Emotions, Online Content

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Is virality random? /// One of the most popular online videos of all time is ''Charlie bit me'', a short film about two little boys. They are sitting side by side in a chair when Charlie, the younger brother, mischievously bites down rather hard on his older brother Harry's finger. Harry isn't sure whether to laugh or cry while baby Charlie is unmistakably delighted by his little trick. Nothing much happens in the video, and yet the clip had received more than 400 million views on YouTube by the end of 2011.

But why did this video go viral? And more generally, why are certain pieces of online content more viral than others? The emergence of social media (e.g., Facebook and Twitter) has boosted interest in word-of-mouth and viral marketing. But while it is clear that consumers often share online content, and that social transmission influences product adoption and sales, less is known about why consumers share content or why certain content becomes viral.

Why people share content /// In fact, there are many reasons why people enjoy exchanging content. One reason why people share stories, news, and information is because of the useful information contained. Coupons or articles about good restaurants help people save money and eat more healthily. Consumers may forward such practically useful content to help others or to appear knowledgeable and enhance their self-image. Others might share practically useful content because they hope to obtain equally useful information from their friends in return.

Emotional aspects of content may also impact upon whether it is shared. People discuss many of their emotional experiences with others, and there is evidence that extremes of satisfaction (highly satisfied or highly dissatisfied consumers) generate more word-of-mouth than average experiences.

{*Box 1*}

VIRALITY OF NEW YORK TIMES ARTICLES

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The objective of this study was to investigate which types of ***New York Times*** articles were highly shared. A webcrawler visited the ***Times'*** homepage (www.nytimes.com) every 15 minutes from 30 August to 30 November 2008 and recorded information about every article (approximately 7,000 articles in total) on the homepage as well as on each article on the most-emailed list (updated every 15 minutes). The dataset captured information on several potentially relevant characteristics such as topic area, location in the newspaper and author fame. Of all of the articles, 20 % earned a position on the most-emailed list.

To document the emotional content of each article, automated sentiment analysis was used to quantify the positivity (i.e., valence) and emotionality (i.e., affect-ladenness) of each article. A computer program (LIWC) counted the number of positive and negative words in each article using a list of 7,630 words that were classified as either positive or negative. Positivity was quantified as the difference in percentage between the positive and negative words in an article. Emotionality was quantified as the percentage of words classified as either positive or negative.

Human coders were necessary to classify the extent to which content exhibited more specific characteristics, in particular anger, anxiety, awe or sadness. There was a closer focus on negative emotions because they are easier to differentiate and classify than positive emotions. The coders also distinguished whether articles contained practically useful information, or whether they evoked interest or surprise (control variables). Only a random subset (approx. 2,500) of the articles were subject to human coding. A logistic regression model was applied to estimate the influence of the variables.

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Content that evokes high-arousal emotions like awe, anger or anxiety is more viral.
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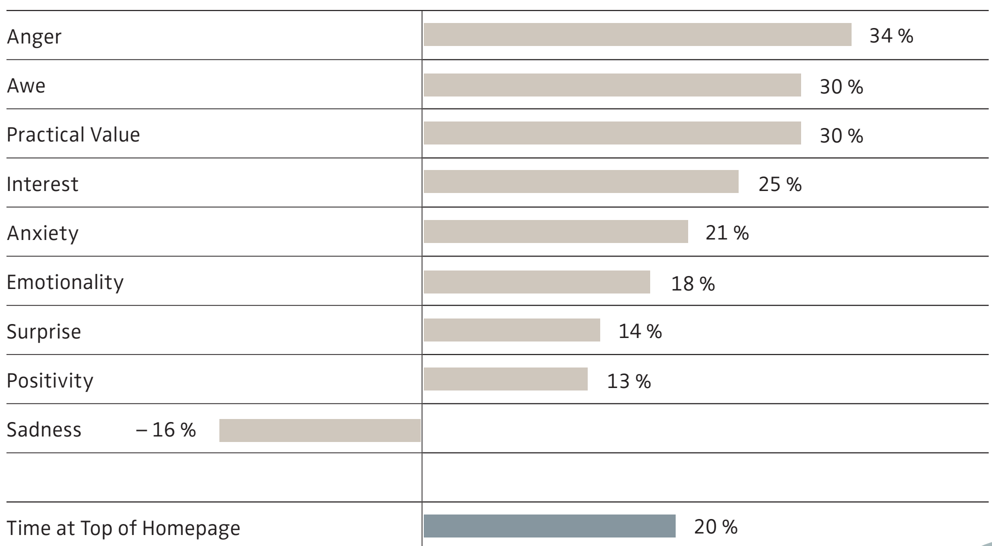
Content characteristics matter

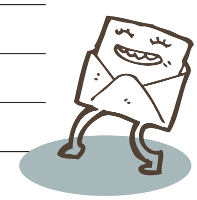
Positive beats negative /// Common sense, as well as simply considering the kind of information that is broadcasted on news channels, suggest that people tend to pass along negative news more than positive news. But the results of a study conducted on the New York Times and its list of most shared articles indicate that positive news actually tends to be more viral (Box 1). Affect-laden content (independent of valence) is more likely to make the most-emailed list than content that does not evoke emotions. In fact, content is more likely to become viral the more positive it is. In other words, while either more positive ***or*** more negative content tends to be more viral than content that does not evoke emotion, positive content is generally more viral than negative content.

High-Arousal emotions favor sharing /// When taking into account specific emotions, it becomes evident that the role of emotion in transmission is more complex than mere valence alone. While awe-inspiring (positive) content is more viral and sadness-inducing (negative) content is less viral, some negative emotions are positively associated with virality. Anxiety and anger-inducing stories are both more likely to make the most-emailed list after controlling for an article's valence and emotional intensity. This suggests that transmission is about more than just sharing positive things and not sharing negative ones. Content that evokes high-arousal emotions (i.e., awe, anger, and anxiety) after accounting for valence is more viral.

FIGURE 1:

Percentage change in the probability of making the most-emailed list due to a one standard deviation increase in various article traits





What else favors virality? /// Articles that are more interesting, informative (practically useful) and surprising are more likely to make the ***Times'*** most-emailed list. Similarly, being featured for longer in more prominent positions on the ***Times*** homepage (e.g., the lead story as opposed to at the bottom of the page) is positively associated with making the list. However, the relationship between the emotional characteristics of content and virality holds even when these content characteristics are taken into account.

Therefore, the correlation between stories that evoke certain emotions and their higher virality is not simply down to editors featuring those types of stories, thereby mechanically increasing their virality.

The same is true for longer articles, articles by more famous authors and articles written by women. These are also more likely to make the most-emailed list, but the emotional effect can still be observed above and beyond these other effects.

The results also hold true independent of an article's general topic (according to 20 areas classified by the ***Times*** such as Science or Health). This indicates that they are not merely driven by certain areas tending to be the ones to both evoke certain emotions and be particularly likely to make the most-emailed list. The observed relationships between emotion and virality hold true not only across topics but also within them. Even among opinion or health articles, for example, awe-inspiring articles tend to be more viral.

Figure 1 shows how different characteristics shape the virality of an article. Virality is driven by more than just valence. Sadness, anger, and anxiety are all negative emotions, but while sadder content is less viral, content that evokes anxiety or anger is actually more viral. Positive and negative emotions characterized by activation or arousal (i.e., awe, anxiety, and anger) are positively linked to virality, while emotions characterized by deactivation (i.e., sadness) are negatively linked.

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Rather than targeting "special" people, it may be more beneficial to focus on crafting contagious content.
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External drivers of attention (e.g., being prominently featured) shape what becomes viral, but content characteristics are of similar importance. For instance, a one standard deviation increase in the amount of anger an article evokes increases the odds that it will make the most-emailed list by 34 % (Figure 1). This increase is equivalent to spending an additional 2.9 hours as the lead story on the ***Times*** website, which is nearly four times the average number of hours articles spend in that position. Similarly, a one standard deviation increase in awe increases the odds of making the most e-mailed list by 30 %.

Testing the high-arousal-emotions effect in a marketing context /// Two follow-up experiments confirmed the results of the New York Times field study in two different and more marketing-related contexts. The experiments used different versions of stories to test how different amounts of amusement (positive emotion) or anger (negative emotion) influenced arousal and sharing. Participants said they would be more likely to share an advertising campaign when it induced more amusement. They also said that they would be more likely to share a customer service experience when it induced more anger. In both cases the higher willingness to share was driven by the arousal it evoked.

Participants said they would be more likely to share an advertisement if they faced the high as opposed to low amusement/anger advertisement. The results were similar for arousal: the high amusement/anger condition evoked more arousal than the low amusement/anger advertisement.

Marketing Implications /// When looking to generate word-of-mouth, marketers often try targeting "influentials" or opinion leaders. But while this approach is pervasive, its value and cost-effectiveness is doubtful. Rather than targeting "special" people, it may be more beneficial to focus on crafting contagious content. The study results illuminate how content characteristics can improve virality.

> **Amuse rather than relax your audience** /// The findings shed light on how to design successful viral marketing campaigns and craft contagious content. While marketers often produce content that paints their product in a positive light, content is more likely to be shared if it evokes high-arousal emotions. Ads which make consumers content or relaxed, for example, will not be as viral as those which amuse them.

> **Negative emotions do no harm when they activate** /// Further, while some marketers might shy away from ads that evoke unpleasant feelings, negative emotions can actually increase transmission if they are characterized by activation. BMW, for example, created a series of short online films called "The Hire" that they hoped would go viral. The series included car chases and story lines that often evoked anxiety (with titles such as "Ambush" and "Hostage"). While one might be concerned that negative emotion would hurt the brand, the study results suggested that it would increase transmission because anxiety induces arousal (incidentally, "The Hire" was highly successful, generating millions of views).

> **Sadness hinders transmission** /// According to the study, sadness is not a good vehicle for viral communication initiatives. While emotions that generate activation and arousal favor sharing, no matter whether they are positive or negative, sadness actually has a negative impact on willingness to share, no matter whether the induced condition of sadness is low or high. Therefore, public health information, for example, is more likely to be passed on if it is framed to evoke anger or anxiety rather than sadness, which is more frequently encountered.

> **Angry consumers' online actions might be critical**
/// Similar points apply to managing online consumer sentiment. While some consumer-generated content (e.g., reviews and blog posts) is positive, much is also negative, and can lead to consumer backlash if it is not carefully managed. Mothers who were offended by a Motrin ad campaign, for example, banded together and began posting negative YouTube videos and tweets. While it is impossible to address all negative sentiment, certain types of negativity may be more important to address because they are more likely to be shared. Customer experiences that evoke anxiety or anger, for example, are more likely to be shared than those that evoke sadness (and textual analysis can be used to distinguish different types of posts). Consequently, it may be more important to rectify experiences that make consumers anxious rather than disappointed.

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Managerial Summary of an article published in the top academic journal "Journal of Marketing Research":

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"What Makes Online Content Viral?", Journal of Marketing Research, Vol. 49, No. 2 (April), pp. 192 – 205.

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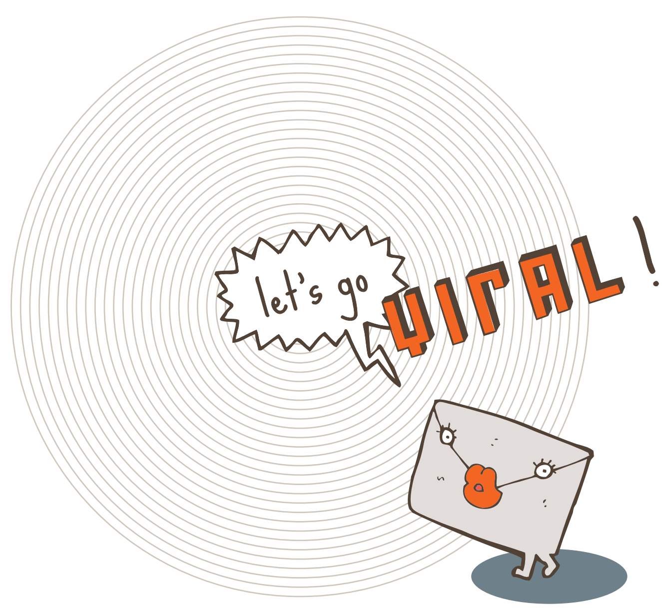


MMM
I remember...
Once upon
a time, I was a
high technology
product...

Demystifying Disruption: On the Hazard of Being Replaced by New Technology

Ashish Sood and Gerard J. Tellis

KEYWORDS

New Technology, Innovation, Technology Disruption, Substitution Competition, Obsolescence, Market Entry Strategy

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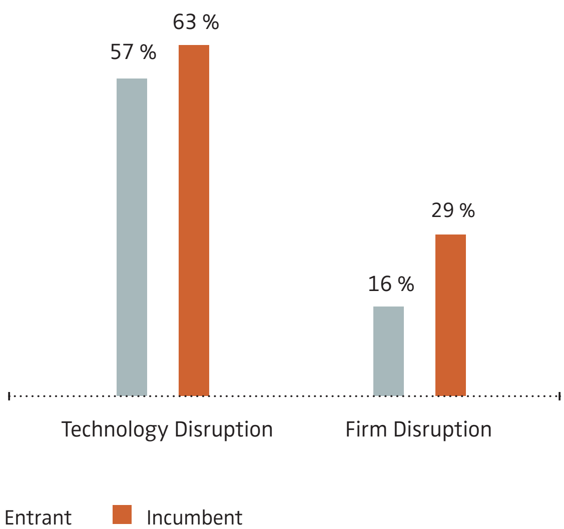
Displaced by technological progress /// Who wouldn't remember them?: type writers, VCRs, tape recorders, floppy discs, to name just a few products that hardly anybody still owns and certainly nobody would ever buy now. What they all have in common is that at some point in time they became obsolete because of the emergence of new technology. In many industries, new technologies represent a serious threat to established companies, and underestimating or misinterpreting the threat of emerging technology can endanger companies' survival.

Even if companies do not totally disappear from the market they might suffer substantially if they fail to adapt or preempt new opportunities. First, technological change has the potential to make assets, labor, and intellectual capital of incumbents in the market obsolete. For example, electronic commerce has rendered many of the old business processes in the banking industry obsolete. Second, it can create entirely new markets, with new products, new customers, and an explosion in demand. For example, MP3 technology facilitated the iPod revolution, with massive demand for products, services, and accessories. Third, technological evolution enables companies to target new segments within a market with improved products. For example, improvements in LCD monitors enabled organizations to target the segment of consumers with mobile computing needs.

Explaining disruption /// But why do firms fail when faced with new technologies? Is there a certain particularly successful pattern of technological attack? Who typically introduces a disruptive technology, and who survives disruption? When does disruption occur, and can it be predicted?

FIGURE 1:

Disruption caused by incumbents and entrants



Technological evolution is a hot topic and research has been looking for patterns of evolution. One of the most prominent explanations is Christensen's theory of disruptive technology. Put simply, this theory posits that a new technology is always introduced by a new entrant. Initially it appeals only to a niche market. It will disrupt (substitute) a dominant incumbent organization's older technology when the new technology improves to meet the needs of the mass market. The attack of a new technology can succeed because managers of incumbent organizations dismiss its first incarnation as inferior and ignore its development.

Ashish Sood and Gerard Tellis sought to shed light on this phenomenon through a cross sectional, in-depth study of seven markets. To better observe what has actually been going on in various markets they identified several domains of disruption. ***Technology disruption*** occurs when the new technology offers better performance than the dominant technology in the primary dimension of performance (resolution in computer monitors, for example). ***Firm disruption*** occurs when the market share of a company whose products use a new technology exceeds the market share of the largest company whose products use the highest-share technology. What they find in a historical analysis carried out on 36 technologies in 7 markets over a timespan of several decades (see Box 1 for details on the study) is surprising and questions some propositions of the widespread theory of disruptive technology.

Incumbents introduce more disruptive technologies than entrants do /// Incumbent organizations themselves regularly introduce disruptive technologies. In fact, the incumbents produced a little over half of the new technologies that superseded the previous dominant technology. In other words, the hazard of disruption to incumbents from new entrants is significantly less than previous researchers had surmised. "The idea of an entrant disrupting a well-funded, giant incumbent makes for a good story", Tellis observes, "but such disruptions account for only about half of all cases." So incumbents are not doomed to failure but must be on the lookout for new technologies.

Furthermore, the data shows that technology firms may delay the progress of a new technology. For instance, in the lighting market, the incandescence technology remained most popular for many decades despite the availability of higher performing technologies (see Figure 2).

Attacks on the primary dimension of competition are more successful /// When introduced to the market, a new technology is superior to the established technology in either the primary dimension of competition or in an additional dimension which is valued by a niche market only. For example, storage capacity is an important primary dimension of competition in the market for computer storage technologies. All other attributes of technologies would be secondary dimensions of competition. A ***lower attack*** occurs when, at the time of its entry, a new technology performs worse than the dominant technology on the primary dimension of performance. An ***upper attack*** occurs when, at the time of its entry, a new technology performs better than the dominant technology on the primary dimension of performance.

»
Incumbents are not doomed to failure but must be on the lookout for new technologies.
«

{ *Box 1* }

ANALYZING THE TECHNOLOGICAL EVOLUTION OF MARKETS

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In their historical data analysis, the researchers collected information on the technological development of seven markets: electrical lighting, data transfer, computer memory, computer printers, display monitors, music recording, and analgesics markets. The first two are utilities, the next four are consumer electronics, and the last is pharmaceutical. The selected industries represented a mix of both relatively young and relatively old markets with technologies that varied in age from a few years to more than a century (from 53 years for the computer printers market to 127 years for the external lighting market). In all, 1,942 technology-years of data entered the analysis.

The sample contained 36 platform technologies that were commercialized within each market (nine in computer memory, six in display monitors, five each in computer printers, electrical lighting, and music recording, and three each in analgesics and data transfer). Some of these technologies did not achieve much of a presence in the mainstream segment and remained limited to a niche.

The primary sources of information on the markets were technical journals, industry publications, press releases, time lines of major companies, white papers published by R&D organizations, annual reports of industry associations, and records in museums that profiled innovations and the development of markets.

Disruption is modeled using a correlated hazards model influenced by a number of time related factors, including performance and age of the market, and by covariates such as relative price, type of attack and source of new technology. This model is able to not only describe but also to predict when disruption will most likely occur.

FIGURE 2:
Example: technological evolution of external lighting

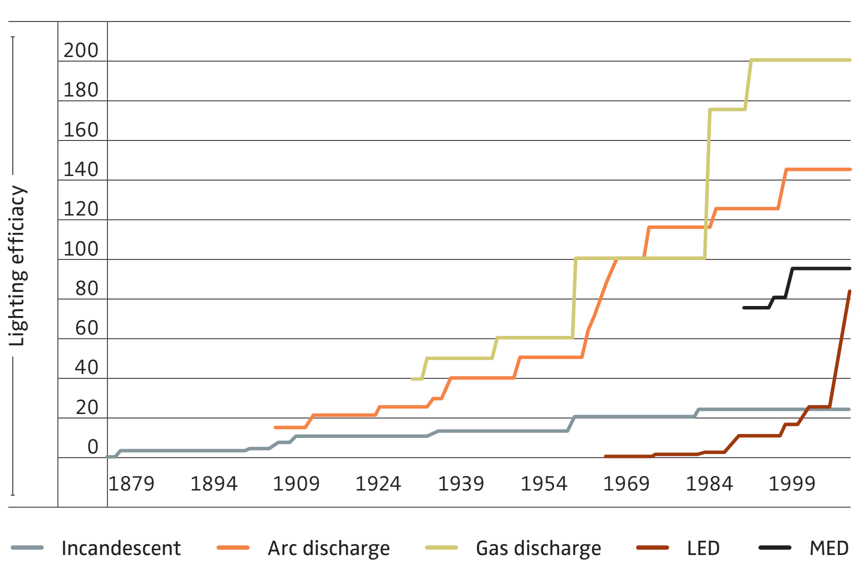
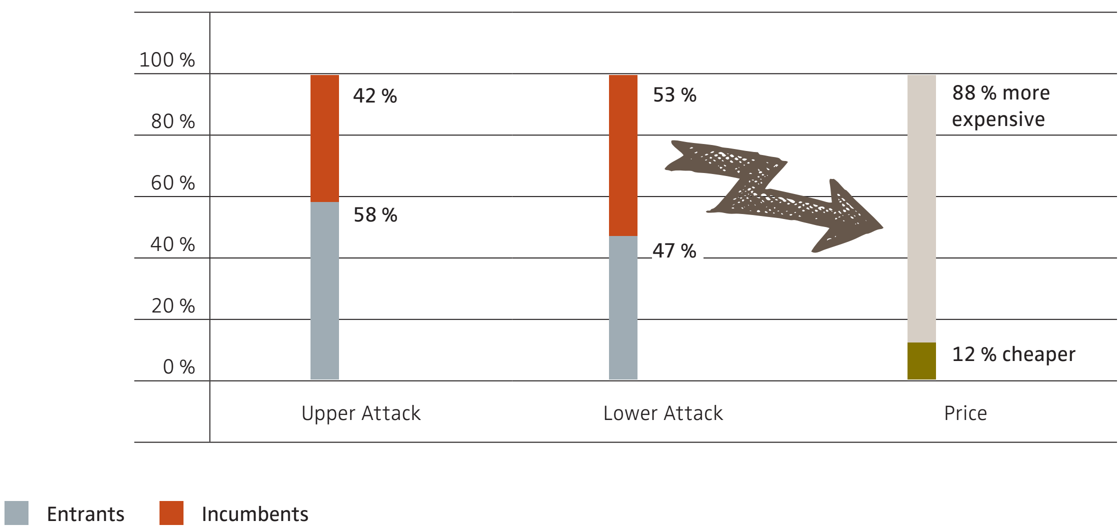


FIGURE 3:
Entry strategy of the new technology



» The hazard of disruption to incumbents from new entrants is significantly less than previous researchers had surmised. «

Figure 3 offers interesting insights into substitution competition based on the historical analysis:

- Contrary to expectations, more entrants than incumbents introduced technologies that were superior in their primary function.
- Also, again contrary to what the theory of disruption would predict, most new technologies competing on a secondary dimension were not cheaper, but rather more expensive than the dominant technologies.

Overall, lower attacks were less likely to cause firm disruption than upper attacks but their chances of success increased when the price of the new technology was lower than that of the established products.

Patterns of disruption

> **Competing technologies coexist at many points in time** /// In some cases, disrupted technologies continue to survive and coexist with the new technology by finding a niche. For example, impact printers continue to coexist with laser and inkjet printing technologies. This suggests that disruption is not as "fatal" or "final" as the term implies.

> **The first movers are not always the ones that cause disruption** /// In many cases, it is not the pioneer who subsequently promotes the new technology and causes disruption. For example, even though Optel Inc. introduced LCD technology, it was Samsung that disrupted the incumbents and became the market leader. Hence, first mover advantages are not sufficient for disruption.

> **Most technologies do not improve smoothly over time** /// Contrary to predictions regarding the theory of disruptive innovations, improvement is sporadic, with many periods of no improvement followed by spurts of great improvement. For example, gas discharge was stagnant for many years and lost technological superiority to a competing technology, arc discharge, which improved frequently every few years after its entry. However, substantial improvement after almost 20 years propelled gas discharge into a position of superiority again.

> **New dimensions of performance keep emerging** /// A new technology always introduces a new dimension of importance even while competing with old technologies on the primary dimension. For example, in display monitors, LCDs introduced the dimension of compactness, plasma brought into focus the dimension of screen size, and organic light-emitting diodes brought into play the dimensions of convenience and low power consumption. These secondary dimensions appeal to various niche segments. However, in all cases, the competition for the mainstream segment was still on the primary dimension of performance (e.g., resolution in desktop monitors), which continued to improve substantially over time.

> **Substitution by a new technology is not always permanent** /// Technologies that have been surpassed in performance sometimes regain technological leadership. The study documents a total of four cases of multiple technology disruptions: two in computer memory and two in electrical lighting.

{*Box 2*}

KEY INSIGHTS

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> **It is not always immediately obvious which technology will ultimately disrupt because substitution can happen discontinuously.** /// Therefore, companies should carefully monitor long-term changes in preferences for different product features and quality dimensions. Investments need to be allocated to the development of upcoming features.

> **Risk assessment and technology-portfolio management should reflect that numerous rival technologies quite often coexist without one disrupting the other.** /// To stay (and invest) in an old technology and to launch new technologies at the same time could be an attractive alternative. "Self-cannibalization" is better than leaving the field to new entrants.

> **The first movers are not always those who benefit most.** /// It seems important to believe and invest in the new technology, as well as to work hard towards its implementation. Therefore, new technologies should be not abandoned too early by pioneers. Incumbents should track a new technology's potential carefully even if it is not instantly successful.

> **Quality seems as important as price.** /// Staying alive with an established technology as well as being successful with a new technology is as much an issue that regards quality as it does price. Many new technologies gain momentum even if they are priced higher than the standard technologies at the time.

So, is there no need for established companies to worry?
/// Despite finding that the hazard of disruption from new entrants is less than previously thought, the authors caution against short-sighted complacency. It is risky for incumbents to become too comfortable regarding their ability to maintain technological dominance. "Entrants do disrupt", Sood points out, "often without the expertise, market knowledge, or resources of the established leaders. That is impressive and leaves no room for incumbents to rest on their laurels." Companies are well advised to watch out and keep their research and development going.

The study itself does not answer why some companies are more successful than others in facing technological progress, but the authors offer some explanations: "We suspect that the internal culture of companies is probably a key factor responsible for disruption rather than external threats from a new technology or market strategy." Put simply, complacency regarding the potential appeal of new technology to customers is more damaging than the advent of new technology itself. "Survival often depends", Sood notes, "on how well a company predicts its future trajectory on one or more dimensions of technology performance." Firms that succeed in this regard are the ones that stay alive and healthy.

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Managerial summary of an article published in the top academic journal "Marketing Science":

Sood, Ashish; Gerard J. Tellis (2011): "Demystifying Disruption: A New Model for Understanding and Predicting Disruptive Technologies", Marketing Science, Vol. 30 March / April, pp. 339 – 354.

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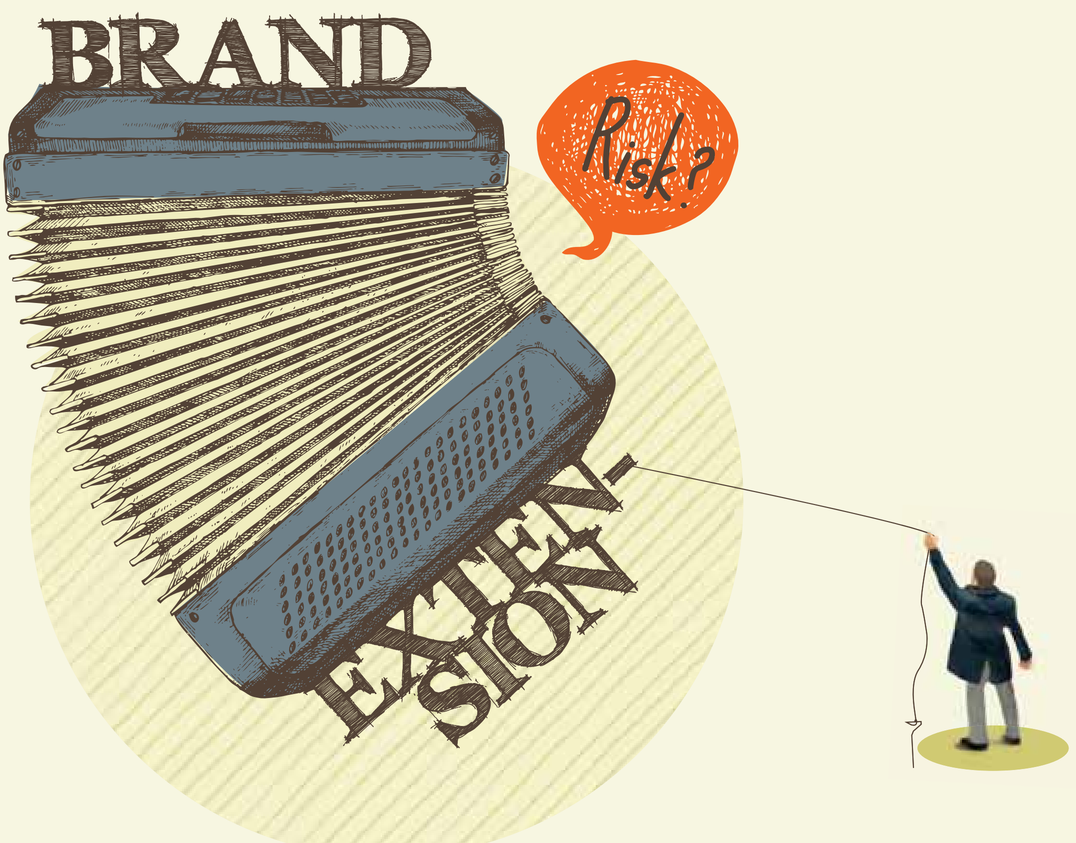
Line Extension Asymmetry: Higher Quality Line Extensions Help, Lower Quality Extensions Do Only a Little Harm

Timothy B. Heath, Devon DelVecchio and Michael S. McCarthy



Chances and risks of product line extensions /// It is common for companies to extend product lines either horizontally (to make different versions at the same price/quality level; e.g., Ragu's many flavors of pasta sauce) or vertically to lower or higher quality (e.g., Toyota's higher-quality Avalon in the U.S.). Line extensions to lower quality have become especially popular as higher quality brands try to attract value shoppers for items ranging from the everyday (e.g., Bounty Basic paper towels, Levi Strauss Signature jeans) to the prestigious (e.g., Marc by Marc Jacobs designer clothing or the BMW 1-Series in automobiles). Line extensions such as these increase brand visibility, appeal to diverse consumer tastes and thus help brands outsell existing competitors while discouraging new ones. However, extensions to lower quality risk dilute the brand's image and reduce brand evaluation, whereas extensions to higher quality may improve them. Extensions to higher quality also risk damaging the ***extension's*** image by associating the new product with a lower quality brand. However, here we only test extension effects on overall brand image – but we do address potential effects on extensions in our conclusion.

Higher quality extensions improve brand perception and evaluation more than lower quality extensions damage them /// The authors conducted a series of experiments testing line extension effects on perceptions and evaluations of fictitious and well-known middle quality brands.

KEYWORDS

Brand Management, Line Extensions, Product Lines, Brand Evaluations

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A clear asymmetry emerged across various brands (Fosters beer, H&M clothing, etc.), product classes (food, CD players, restaurants, beer, clothing) and prospective moderators (brand familiarity, liking, personality, prestige, etc.): Higher quality line extensions improved overall brand perception and evaluation more than lower quality extensions damaged them, and lower quality extensions sometimes had no effect whatsoever. The experiments indicate that two different psychological processes produce the asymmetry.

First, offering higher quality extensions (1) causes people to associate the brand with better products, which should improve brand evaluation (a positive quality association effect), and (2) increases the number of items under the brand's umbrella, which consumers generally like (a positive variety effect). Offering lower quality extensions, however, produces a negative quality association effect which is tempered by a positive variety effect; opponent processes that result in more moderate, sometimes neutral effects caused by lower quality extensions.

Second, when consumers judge a brand, they place more emphasis on the brand's best versions or models than on its worst versions (known as ***best-of-brand processing***; e.g., we usually judge runners based on their best times, not their worst). One reason for such a focus is that the brand's highest quality version highlights the capability or expertise of the brand or company. By increasing the brand's highest quality level, higher quality extensions signal greater brand expertise and therefore improve brand evaluation. In contrast, by leaving the brand's highest quality level unchanged, lower quality extensions signal no change in brand expertise and therefore have a lesser effect on brand evaluation.

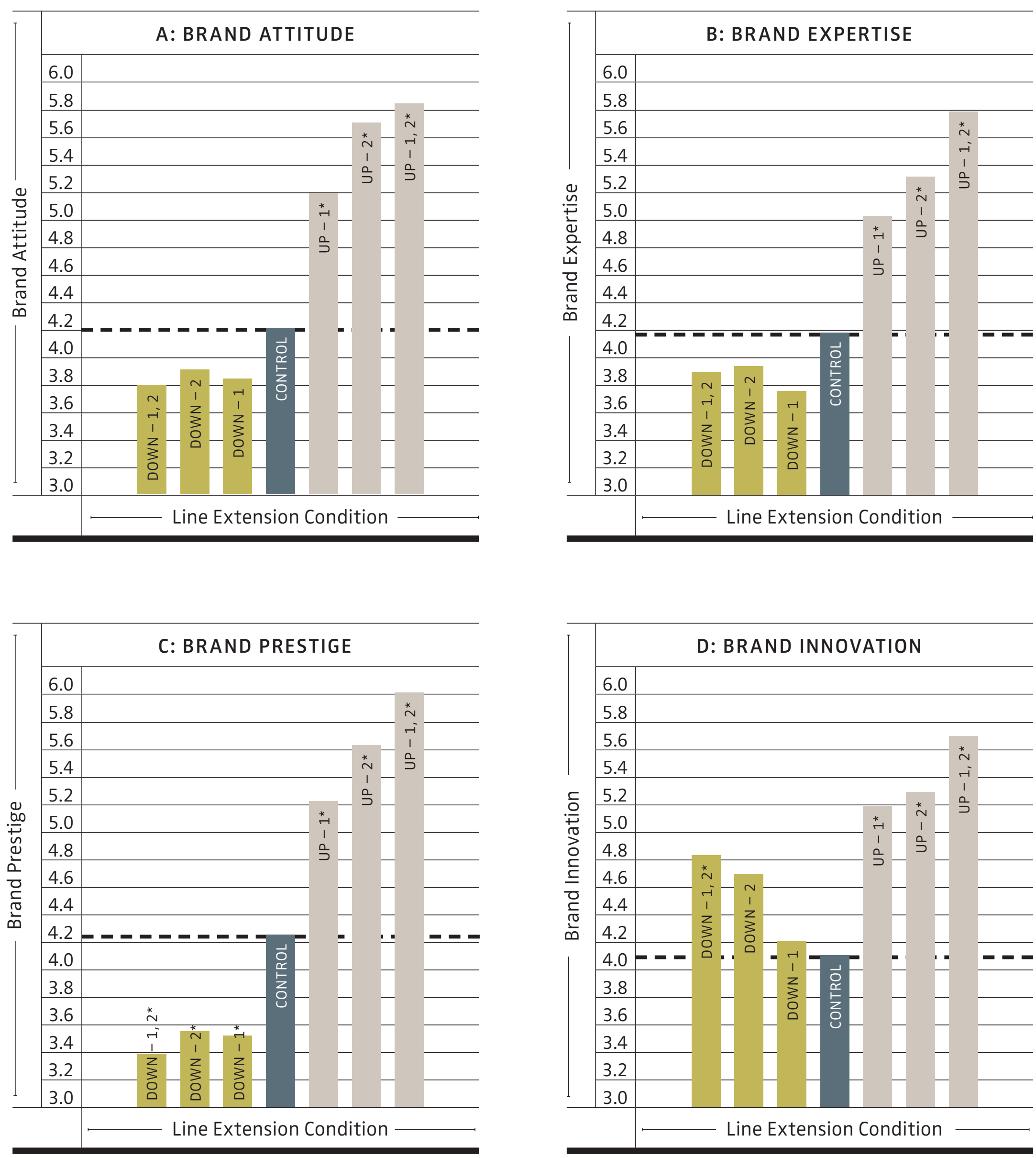
Figure 1 shows the detailed results of one of the experiments. It exhibits line extension effects on four key dimensions of brand evaluation and image: attitude toward the overall brand, perceived brand expertise, brand prestige, and brand innovativeness. This opening study's results are based on the evaluation of two fictitious brands. However, subsequent experiments, which use real and symbolic or fun-oriented brands, confirmed the asymmetric effects.

Figure 1's lighter grey bars show that higher quality extensions consistently improved brand evaluation and perception across all four measures whereas the olive green bars show that lower quality extensions failed to consistently produce correspondingly negative effects. Results are consistent for different quality levels. Extensions which are slightly higher or lower in quality than the original brand are labeled "Up-1" or "Down-1" respectively. Larger quality differences from the original are labeled "Up-2" or "Down-2", and the Up/Down ½ bars refer to situations involving two extensions at both relative quality levels.

In Figure 1's top two panels, lower quality extensions failed to significantly alter brand attitudes or perceived brand expertise. However, comparing the olive green bars across Figure 1's bottom two panels shows that lower quality extensions ***reduced*** brand prestige (a negative quality association effect) but increased the perceived level of brand innovativeness (a positive variety effect), thereby providing evidence of opposing processes that temper the effects of lower quality extensions on overall brand evaluation.

FIGURE 1:

Asymmetric effects of lower quality and higher quality extensions



* = significant difference from control condition

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Higher quality extensions had roughly as much or more impact than the original middle quality brands, and far more impact than lower quality extensions.
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Asymmetry prevails even for brands with strong brand personalities and images as well as symbolic brands /// However, the nature of the brand or consumer may make a difference. For example, brands with strong brand personalities or brand images (e.g. McDonalds or VW) might be more vulnerable to downward extensions than brands with a more blurred profile.

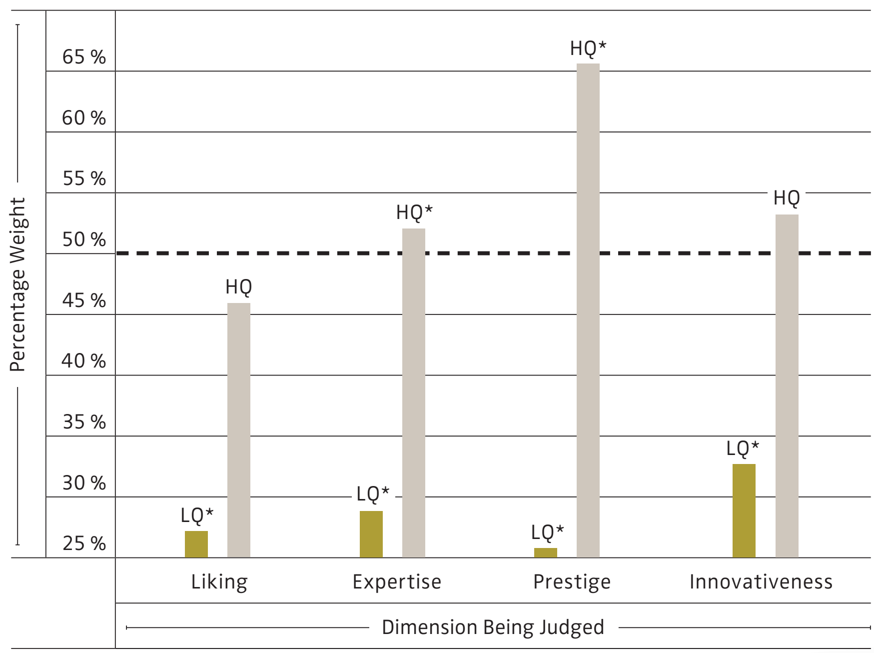
Study 2 tested restaurants to check whether brand personality and/or the regulatory focus of consumers alters the neutrality of lower quality extensions. After all, it might be argued that brands with an enriched, more human image (e.g. fun, exciting, personable) blunt line extension asymmetries by increasing consumer sensitivity to lower-quality extensions. Further, consumers with a prevention focus, whose predominant objective is to avoid negative outcomes, might react more critically to lower quality line extensions and thereby also temper the asymmetry.

At a major U.S. university, 200 students evaluated fictitious extensions in both quality directions of the restaurant chain T.G.I. Fridays (known as an exciting, fun, middle quality brand) or a fictitious restaurant that was given an austere image in the description. In this experiment, higher quality extensions improved brand assessments on all four criteria whereas lower quality extensions affected none. Neither brand personableness nor regulatory focus played a role in the four asymmetries. Consistent with opponent processes and best-of-brand processing, higher quality extensions were considered positive and lower quality extensions were considered neutral (neither bad nor good). Moreover, participants weighted higher-quality extensions far more than lower-quality extensions when judging brand liking, prestige, expertise, and innovativeness (Figure 2). Each pair of Figure 2's bars compares how much emphasis consumers place on lower quality and higher quality extensions when judging brands (after making their judgments, consumers stated how much emphasis they placed on the middle quality version and the extension when forming their judgments). A weight of 50 % indicates that the extension had the same impact on evaluation as the original middle quality brand. The figure shows that higher quality extensions had roughly as much or more impact than the original middle quality brands, and far more impact than lower quality extensions.

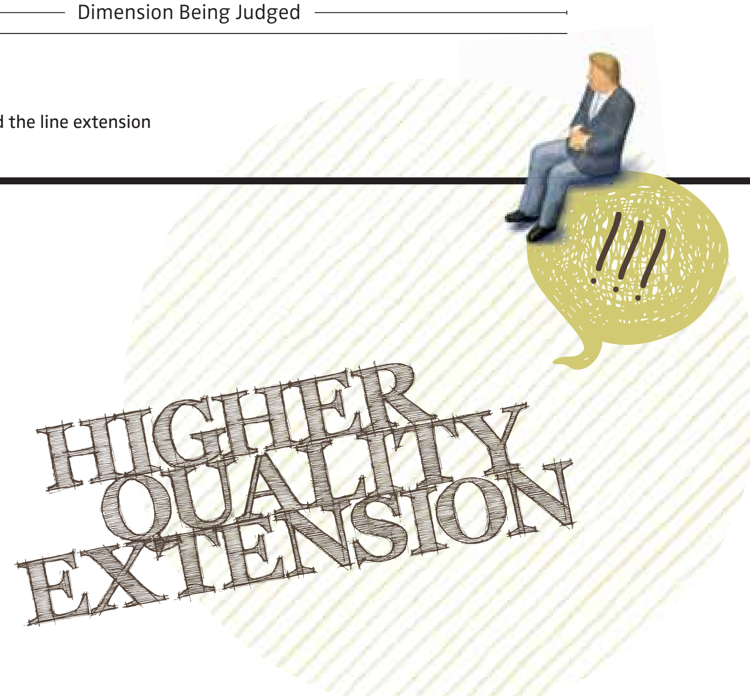
And what about brands such as Heineken beer and H&M clothing; real brands of at least moderate prestige and expressiveness of consumer personalities within the United States? Study 3 extended the check of extension effects on these symbolic brands. If brand prestige and symbolism are necessary for lower quality line extensions to damage brand evaluation as much as higher quality extensions help, the line extension asymmetry indicated thus far should disappear. Indeed, results revealed some negative effects of lower quality extensions, though the standard asymmetry remains prevalent. Whereas in the previous experiments, different groups evaluated either an upward or downward extension, each participant in this study evaluated both the higher and lower quality extension. Of the respondents, 60.3 % exhibited the standard asymmetry, 27.9 % exhibited the reverse asymmetry, and 11.8 % exhibited symmetry. Therefore, twice as many respondents responded to higher quality extensions more positively than they responded negatively to lower quality extensions. In the small reverse asymmetry group, responses to lower quality extensions were more negative than responses to higher quality extensions were positive. Moreover, process measures indicated that some of the standard asymmetry respondents provided evidence of opponent processes whereas others provided evidence of best-of-brand processing.

FIGURE 2:

Relevance of brand evaluation and perception for low quality (LQ) and high quality (HQ) extensions



50 % = equal weighting of the original middle quality brand and the line extension
* = significant difference from control



Implications for Managers

> **Reconsider, but be careful with lower quality extensions** /// Asymmetric consumer responses to lower and higher quality line extensions suggest that managers otherwise skeptical of extending brands to lower quality reconsider. Combined with the marketing efficiency associated with line extensions, the asymmetry supports leveraging brands across quality tiers. However, this does not mean that lower quality extensions are harmless in every case. Figure 1 indicates directional negative lower quality extension effects, even if they are nonsignificant. Any "downward extensions" should therefore be considered very carefully and alternative and/or supplemental strategies should also be considered.

> **Analyze effects on the brand *and* on the individual product** /// Managers need to consider potential negative effects on evaluations of their individual products, not just on the overall brand evaluations. "For example, adding the luxury car Phaeton to the Volkswagen line probably helped Volkswagen's otherwise average image in the United States", Timothy Heath explains, "However, tying the Phaeton to Volkswagen probably harmed the Phaeton's hoped-for prestigious image and thus its competitiveness: it failed in the U.S. market, though by all accounts it is a high quality car. In contrast, Toyota was successful with its separate luxury brand Lexus." This example highlights the fact that managers should balance effects on their overarching brand with those on their individual products. In some cases, multi-branding is more advisable than line extensions (e.g., when quality stretches are quite large).

> **Communicate line extensions carefully to reduce any adverse effects** /// Communication effects were not investigated in the study but the authors derived some recommendations based on the study results. In brand communication, it seems advisable to emphasize that lower quality versions are being added to give consumers high-value, affordable options. Such "spins" may temper any negative effects of lower-quality extensions and exaggerate the positive effects of higher quality extensions. For example, the tag line for the lower quality Bounty Basic paper towels reads "Practical. Not Pricey".

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Managers need to consider
potential negative effects on evaluations of
their individual products,
not just on the overall brand evaluations.
«

> **Optimize brand architecture and consider all options** /// Furthermore, the findings can help to evaluate different branding options. If managers choose to extend to different quality levels, they have at least four alternatives for protecting against image dilution.

First, managers can enlist prudent branding strategies that include, in extreme cases, multi-branding.

Second, a more moderate option is sub-branding, in which a new brand is introduced, but is claimed to be produced by the parent brand (e.g., "Dockers by Levi's"). Sub-branding can be seen as a middle ground between multi-branding and line extensions, and it reduces negative image backlash to the parent brand.

Third, managers can moderate image dilution through distribution. For example, Charmin's lower quality extension, Charmin Basic, is often distributed through discount channels. Therefore, regular Charmin customers rarely see Charmin Basic and see it even more rarely on a shelf next to regular Charmin.

Fourth, managers can reduce the negative impact of lower quality extensions by how they produce the products. For example, BMW's lower quality 1-Series enlists BMW's typical numerical indicator in its name, and the cars themselves incorporate BMW's typical status indicators. Features such as high quality/high gloss paint and judicious use of chrome, shapes and styles similar to BMW's more prestigious lines all serve to support the brand's prestige image.

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Managerial Summary of an article published in the top academic journal "Journal of Marketing":

Heath, Timothy B.; DelVecchio, Devon; McCarthy, Michael S. (2011): "The Asymmetric Effects of Extending Brands to Lower and Higher Quality", Journal of Marketing, Vol. 75, pp. 3 – 20.

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Aesthetic appeal impacts sales and can be measured objectively.

Gut Liking for the Ordinary: How Product Design Features Help Predict Car Sales

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KEYWORDS

Product Design, Processing Fluency, Aesthetic Liking, Car Sales, Visual Prototypicality, Visual Complexity, Image Morphing

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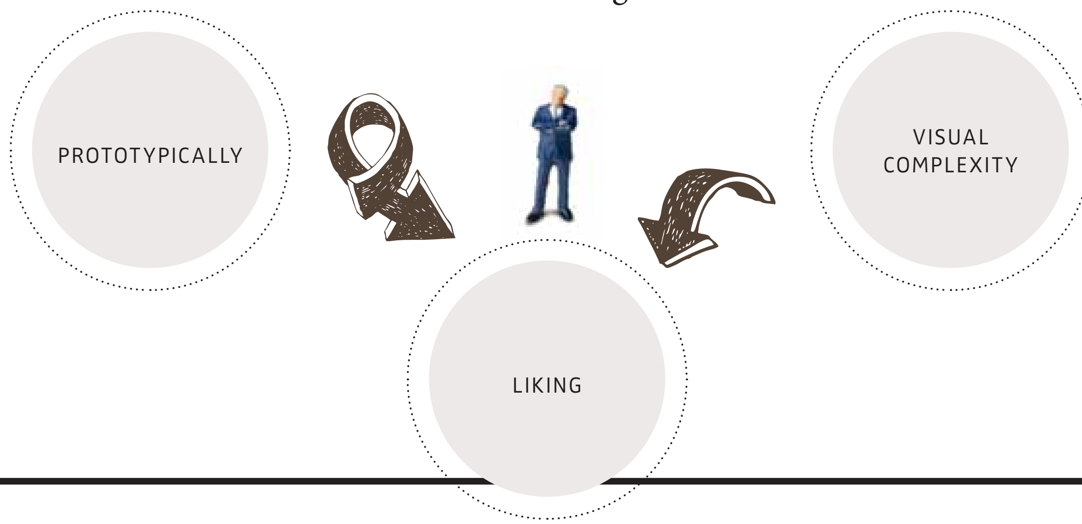
Design makes the difference /// It is virtually impossible not to mention Apple when talking about design. Apple has become one of the most profitable companies in the world, with current cash assets of approximately US$ 100 billion (April 2012). It is beyond dispute that the company has developed excellent products with groundbreaking features and a brilliant marketing strategy – but hardly anybody would question that the distinctive design of Apple's products plays a major or even the principal role in this story. Starting with the iMac G3 in 1998, Apple fundamentally changed the seemingly unwritten rule that consumer electronics, and particularly personal computers, do not need an appealing design. The first iPod in 2001, the first MacBook in 2006, the first iPhone in 2007, and recently the first iPad in 2010 consistently pursued this strategy of a competitive advantage based on aesthetics.

The success of design is not limited to consumer electronics; it seems to also work for more expensive goods such as cars. The German car manufacturer Audi moved from a focus on its superior technological competencies (''Vorsprung durch Technik'') towards a design orientation. It is now the most profitable brand in the Volkswagen group, generating profits considerably above € 1 billion per year continuously since 2006. Interestingly, managers at Audi estimate that up to 60 % of a consumer's decision to buy a particular car is determined by the aesthetic appeal of the car's design. Consequently, Audi not only invested in the advancement of its car designs, but also made design an integral part of their marketing strategy. This became especially salient when Audi launched the second series of their Audi TT sports car

FIGURE 1:
What matters when design is evaluated



in 2006. The car was not presented to the public at one of the leading motor shows (as is common practice in the automotive industry) in Tokyo, Detroit, Geneva, or Frankfurt, but at a design fair ("The Design Annual" in Frankfurt).

... but what makes designs aesthetically appealing? /// Imagine: you see a face you somehow find familiar and you try to remember their name. You can sometimes literally feel how hard your mind is working to find the right name and you perceive this process as difficult. By contrast, when you have intensively learned new vocabulary in a foreign language and you are tested on the well-learned material later, you may feel the ease with which the foreign words come into your head. This is a good example of processing ease or fluency.

Research shows that the perception of ease or difficulty in such mental processing determines the feelings we have towards the object that triggered the mental process. Such "processing fluency" has been found to be especially relevant in the evaluation of attractiveness. A common finding in this research stream is that ordinary-looking faces are rated as more attractive than extraordinary faces. This is explained by the general insight that fluent processing is perceived as pleasant. As typical or familiar objects can be processed fluently, they feel pleasant and are therefore better liked. For physical products, the prototypicality of general shape, the symmetry, or the clarity of its elements are expected to determine how easy or difficult the evaluation is perceived.

Another dimension of aesthetic liking is visual complexity. A higher complexity and a certain amount of stimulating elements are preferred to low levels of stimulation. Whereas ease of processing triggers positive emotions or a favorable gut feeling, content or complexity evaluations are instead cognitive or mind-centered and inhibit feelings of boredom or tedium. That is, visual complexity adds to the positive evaluation of an object by inhibiting negative feelings and cognitions.

KEY INSIGHTS

> Prototypical and complex designs are more successful

> Both design characteristics can be measured objectively

»
Up to 60 % of a consumer's decision to buy a particular car is determined by the aesthetic appeal of the car's design.
«

Ordinary-looking faces are perceived as more attractive – but what about cars? /// in a recent study of car models, visual prototypicality and visual complexity had a positive impact on sales. The results of a sales forecasting analysis showed that visual design played a major role in a product's success in the market. Just two visual design aspects were sufficient to significantly improve traditional sales forecasting models. Sales were especially high when prototypicality and complexity co-occurred. Figure 2 provides a simplified summary of these results. As can be seen, sales were highest when a design was both high in complexity and high in prototypicality (rightmost red bar).

Moreover, when compared to a traditional sales-forecasting model that only included price, advertisement spending, quality, product life cycle position and brand, the design variables improved the predictive strength by up to 19 %. Hence, a substantial amount of sales variance could be traced back to the visual design of a car.

FIGURE 2:
Sales are highest when a design is both high in complexity and high in prototypicality

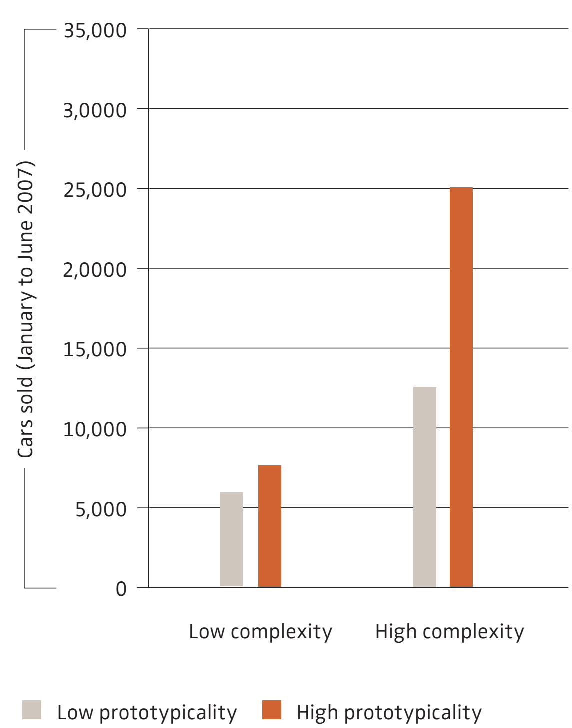
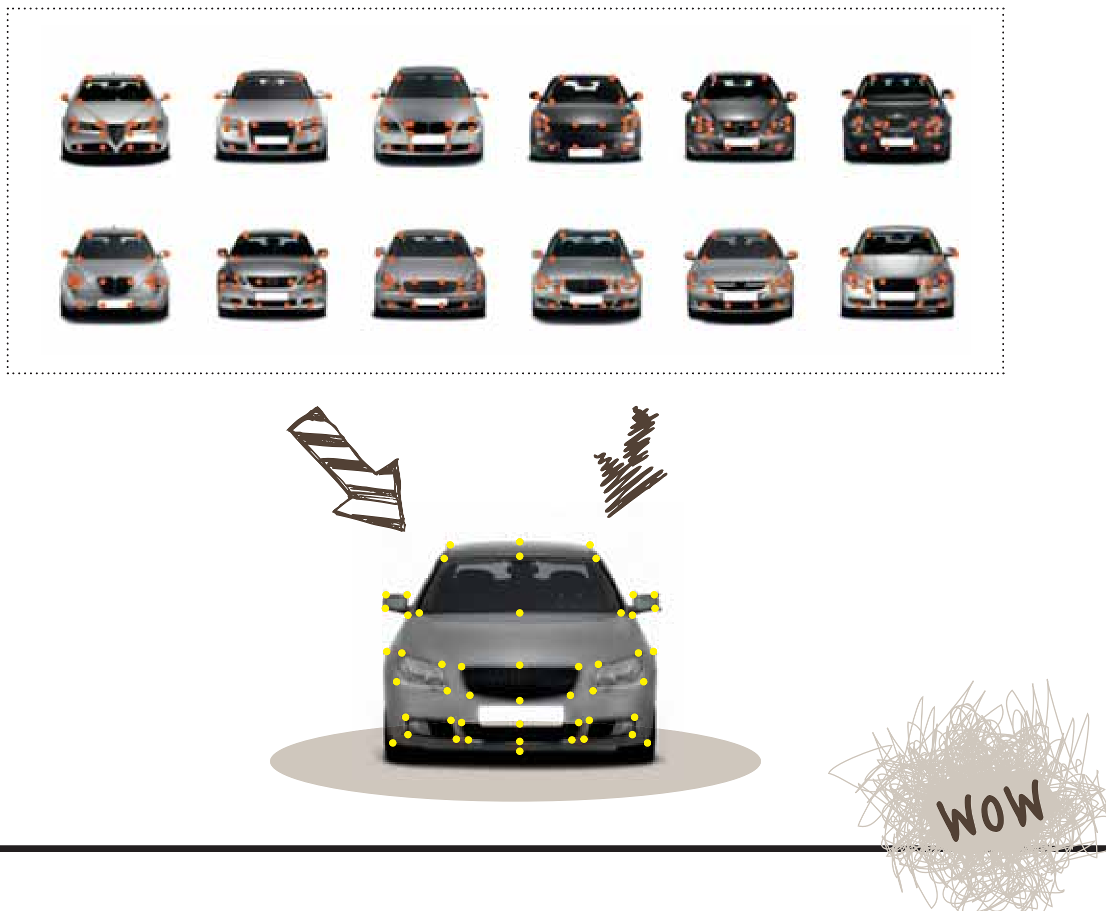


FIGURE 3:
Morphing of 12 midsize-executive cars



Prototypicality and complexity in car design can be measured objectively /// Whereas most design evaluation is based on subjective measures, prototypicality and complexity can also be measured objectively. While the latter can be detected by the disk space needed by the compressed image file, the researcher team also developed a new approach for measuring prototypicality. It relies on the technique of image morphing as described in Box 1, first in a general way and second for cars in particular. Once a car morph is developed, the visual similarity of different car models to the morph can be determined, in order to obtain its prototypicality. The measure contains the sum of the Euclidean distances between each feature point of a particular car and the corresponding feature point in the morphed (prototypical) car.

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When companies try to predict the success of a product, they should include design variables into their forecasting models.
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{ *Box 1* }

IMAGE MORPHING: BUILDING A PROTOTYPICAL REPRESENTATION

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Morphing refers to a method for building a prototypical representation out of a number of individual stimuli. In other words, morphing allows the construction of a visual synthesis from a number of individual pictures.

When working with human faces, morphing consists of blending several into an average face. This is achieved through defining a number of feature points that are common to all faces (e.g., position of eyes, nose and lips), calculating the mean position for each feature point across all faces, and warping the individual faces to the average, "typical" proportions. After this, all faces are of average shape and proportions but still differ in their colors. Therefore, the final step of morphing involves computing the average color value of each pixel. This procedure can be compared to holding all individual warped pictures simultaneously in front of a traditional slide projector. The resulting final image is a face of average shape, proportions and color.

This approach can be easily adapted to fit the current context. To create a morph out of the car fronts, completely standardized pictures of all cars are needed. For these car fronts characteristic design elements need to be marked by feature points (e.g., headlights, grille, windshield, etc.) and the morphing procedure can start. Figure 3 shows the 12 midsize executive cars considered in the present study and the feature points used to construct an average midsize executive car by the described morphing procedure.

Insights for Product Design Management

> **Design variables help to predict sales of new products** /// The results of the sales forecasting analysis suggest that visual design plays a major role in a product's success in the market. Just two visual design aspects are sufficient to significantly improve traditional sales forecasting models. When companies try to predict the success of a product, they should therefore include design variables into their forecasting models so that their estimation can be improved. The predictive power of design quality might even be raised when additional design aspects are considered.

> **Designs should be visually prototypical and complex at the same time** /// Product designs that are visually prototypical and complex at the same time proved to be more successful than others. However, even if visual prototypicality and visual complexity are very important design characteristics, there are numerous others such as symmetry, clarity, unity etc. to be considered. Future research is necessary to further analyze the interplay of all these design facets.

> **The objective measurement of design characteristics simplifies the measurement process** /// The tremendous advantage of using visual prototypicality and complexity compared to conventional procedures is that they are not based on subjective, and hence potentially biased, ratings. In principle, the procedure to assess a design's quality can be automated completely. It allows for the inclusion of a large number of products as well as regular updates, once new products are introduced into the market. Therefore, these measures seem suitable for supporting design decision processes in practice.

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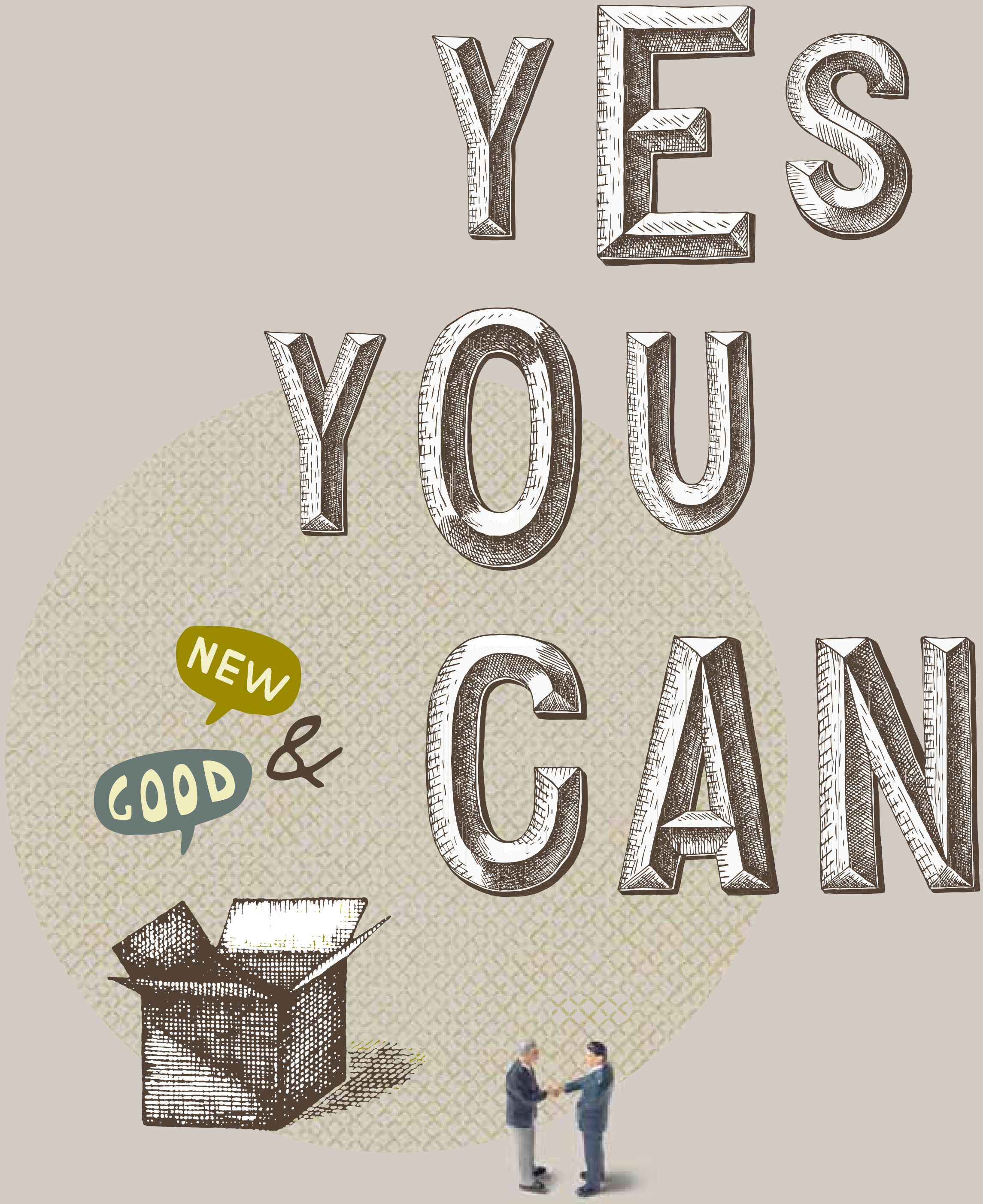
Managerial Summary of an article published in the academic top journal "Marketing Science":

Landwehr, Jan R.; Aparna A. Labroo; Andreas Herrmann (2011): "Gut Liking for the Ordinary: Incorporating Design Fluency Improves Automobile Sales Forecasts", Marketing Science, Vol. 30 (3), pp. 416 – 429.



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But how can managers motivate salespeople to sell new products?

Motivating Salespeople to Sell New Products: What Makes Them Try Harder to Spur on Sales?

Managerial Summary by GfK-MIR

KEYWORDS

Sales Force, B2B Marketing, New Products, Sales Management, Motivation, Managerial Influence

Product innovation has become increasingly important as a means for ensuring a competitive advantage, growth and financial success in today's ultracompetitive business environment. To build a competitive advantage, pay off its development and start-up costs and to generate cash to fuel further growth, it is desirable for sales to grow quickly. In B2B markets, in particular, the sales force plays a key role during the introductory phase. In a business-to-business context, customers primarily learn about new products from company sales representatives. Facing unfamiliar new products, customers are usually suspicious of their professed benefits, reluctant to change their buying behavior, and dependent on salespeople for product advice. Qualified and committed salespeople provide the information needed to reduce customers' confusion and employ the most appropriate selling tactics to persuade their customers.

It is therefore in companies' interest to support their sales force to enable them to fulfill this key task. But how can managers motivate salespeople to sell new products? Managers are faced with the dilemma of where to allocate resources for motivating salespeople to sell the new product. Salespeople often operate in a relatively autonomous environment without close monitoring of their day-to-day activities. They enjoy a considerable degree of discretion in terms of what they focus on and how they proceed. This creates obvious challenges for management during a tactical initiative such as a new product launch.

Trying harder leads to higher performance /// According to a study on the sales of two different innovations at a global industrial company, the recipe for high sales performance is fairly straightforward: if salespeople are willing to try harder, their higher levels of effort lead to higher performance. It is therefore crucial to know what determines the selling intentions and effort of salespeople in a new product context. If management is successful in raising the intention to make an effort, the sales activities are more likely to result in both earlier and more effective sales calls, which will in turn foster early adoption.

How can selling intentions be improved? Perhaps the simplest and most popular solution for managers is to pay considerable management attention to salespeople and convey opportunities for promotion and career advancement for those who are meeting and exceeding established expectations. The communication of high managerial expectations causes ''subjective norms'', a kind of social pressure to be successful. Manage-

FIGURE 1:
Impact of motivational strategies on sales performance

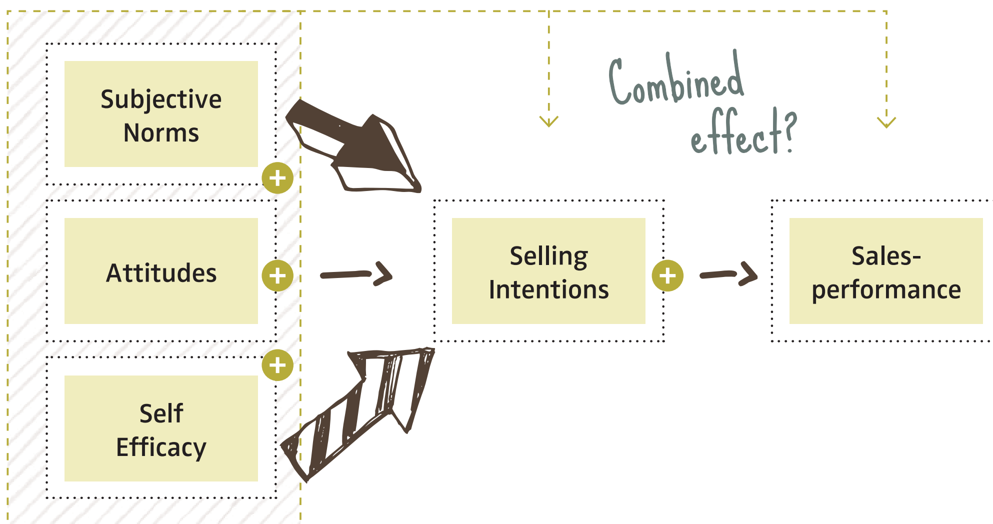
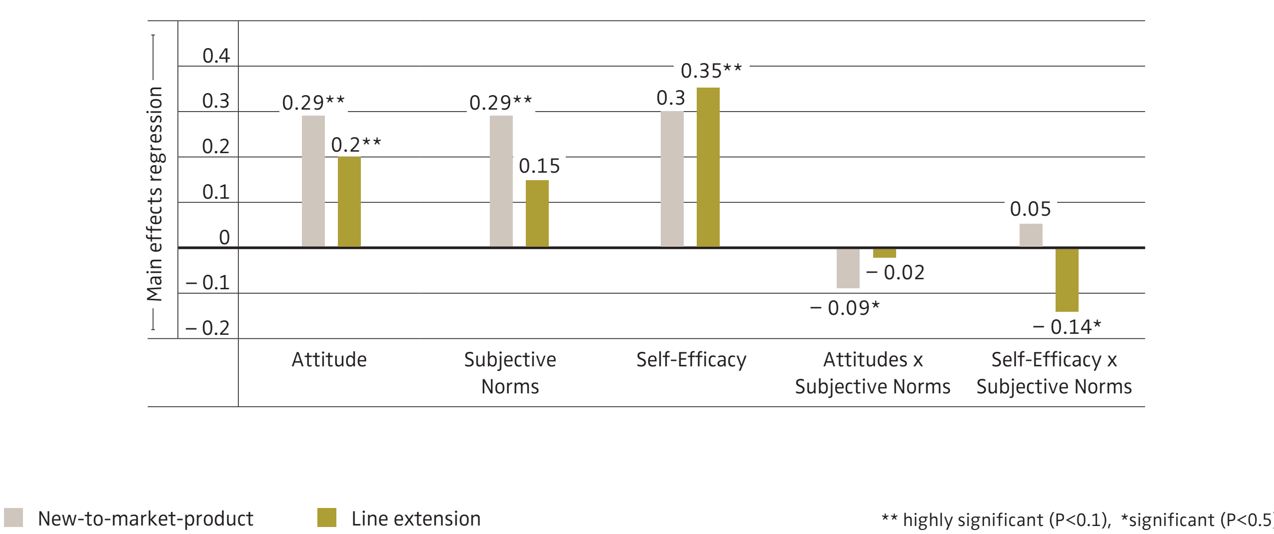


FIGURE 2:
Regression coefficients of motivational strategies and their interaction



»
Rather than motivating the self-dependent salesperson, normative pressure adds counterproductive layers of stress and doubt.
«

ment assumes that willingness to comply with expectations as well as competition among peers motivates salespeople to try harder. In Figure 1, this type of motivational strategy is reflected in ***"subjective norms"*** which salespeople perceive.

A positive attitude towards selling the new product beats pressure /// The approach where a climate of raised expectations is created, and competition relies on the principle of extrinsic motivation: people act in response to something apart from the work itself, such as a reward or recognition from others. An alternative approach would be to count more on the principle of intrinsic motivation. In this case, salespeople would be more motivated by their work itself. They consider the task of selling the new product rewarding, enjoyable and interesting for its own sake. Instead of raising expectations, it would be more effective for management to increase the inherent attractiveness of selling the new product, or to increase the salesperson's belief in his or her ability to sell the product. Such a strategy would be reflected in a more positive ***"attitude"*** towards their selling-task and a higher perceived ***"self-efficacy"*** in the process of selling.

The study combined survey data and company records on sales over a period of more than 400 days and found that all three forms of motivation worked for a construction product that was new to the market (see Figure 2). For the second product, a line extension, significant effects could only be observed for activities related to intrinsic motivation. However, norms and expectations acted as a wolf in sheep's clothing. Their effect was positive on motivation to perform, but also led to less evident undesirable effects on sales performance. Subjective norms dampened the effect of positive attitudes towards selling the new products. In the case of the new-to-market product, the salespersons' selling intentions were less likely to produce strong growth rates when social pressure to sell the products was perceived as very high.

The authors conclude that in the presence of strong subjective norms, positive attitudes are less likely to drive selling intentions. Further, the positive impact of self-confidence and self-efficacy seems to weaken. "Rather than motivating the self-dependent salesperson, normative pressure adds counterproductive layers of stress and doubt", It is likely to engender a 'have to do' as opposed to a 'want to do' mentality, in which the salesperson develops behavioral intentions but then follows through with reduced interest and vigor." Thus, although subjective norms may have the desired effect of influencing a salesperson's intention to sell a new product, those intentions may be less likely to translate into actual performance in the presence of strong subjective pressure.

Managerial Implications

> According to the study, social pressure acts as a double-edged sword. It increases motivation but diminishes the positive impact of attitudes (for the new-to-market product) and self-confidence (for the line extension) on selling intentions. Further, in the presence of high managerial expectations (subjective norms), the motivating influence of a favorable attitude toward selling a new product is diluted for new-to-market products. Consequently, managers should focus on increasing the inherent attrac-

tiveness of the new product as well as the sales force's confidence in selling it to increase sales volume quickly. Despite their legitimate power over salespeople, managers should apply normative pressure judiciously because of its severe drawbacks during a new product launch. Managers who use pressure may be fooled by signs of compliance in the development of selling intentions, but these same norms will ultimately damage new product performance.

> Rather than building pressure during a new product launch, sales managers should focus on strengthening a salesperson's selling intentions by creating positive attitudes about the launch as well as heightened feelings of self-confidence and self-efficacy. To accomplish this, managers should emphasize the innovative and differentiating aspects of the new product in internal communications, regardless of whether the new product is completely new or a line extension. In addition, they should attempt to increase salesperson familiarity with targeted customer segments and appropriate selling techniques through the use of training, selection, and customer relationship management tools. Treating salespeople as the first ''customers'' and reinforcing positive behavior in early attempts to sell the new product should result in improved attitudes, motivation to sell and, ultimately, better new product performance.

Managerial Summary by MIR of an article published in the academic top journal "Journal of Marketing"

Fu, Frank K.; Keith A. Richards; Douglas E. Hughes; Eli Jones (2010): ''Motivating Salespeople to Sell New Products: The Relative Influence of Attitudes, Subjective Norms and Self-Efficacy'', Journal of Marketing, Vol. 74 (November), pp. 61 – 76

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Buy One, Get One Free:

How Framing Sales Promotions Affects the Whole Shopping Basket

Managerial Summary by GfK-MIR

KEYWORDS

Shopping Behavior, Retail Promotions, Shopper Marketing, Couponing

Promotions Affect Unpromoted Products /// High competition has increased retailer interest in designing promotions that target shoppers and increase store sales. Sales promotions are often targeted at specific products, and the effects they have on the sales of this product are usually very well-monitored. However, sales promotions not only affect the sales of promoted brands, but also brands that are not under promotion and therefore the whole shopping basket. Knowing how sales promotion cues affect the size and composition of a consumer's shopping basket is important for leveraging sales.

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With regulatory orientation,
whether preexisting or primed, causes people to add more items,
even unpromoted ones, to their baskets.
«

Different consumer motivations: Exploring or saving? /// It is clear that consumers have a variety of motivations over the course of the shopping process. Different goals relate to aspects that consumers generally value the most, as well as what might be relevant in a shopping situation in particular. Judy, for instance, does her weekly grocery shopping in different supermarkets. During the week she closely monitors regional media to avoid missing any promotions. She watches her shopping budget tightly and is proud of the weekly savings she makes in the promotional discounts. Jane, on the other hand, does her grocery shopping whenever she is in the mood for it and decides spontaneously what to buy during her visits to the shop. She likes buying special offers because they often attract her attention to new products that she happily tries out. Whereas Judy focuses on ***saving money and avoiding losses***, Jane's focus is on ***exploring and obtaining value***. Consumers similar to Judy are driven by an orientation away from negative outcomes (prevention focus). Others, like Jane, are guided by an orientation towards positive outcomes (promotion focus). The result of such differences in motivational systems is that people adopt different strategies in their pursuit of a goal. These differences may be stark to individual people, but because both systems of self-regulation exist in each person, situational cues such as sales promotions can activate either orientation.

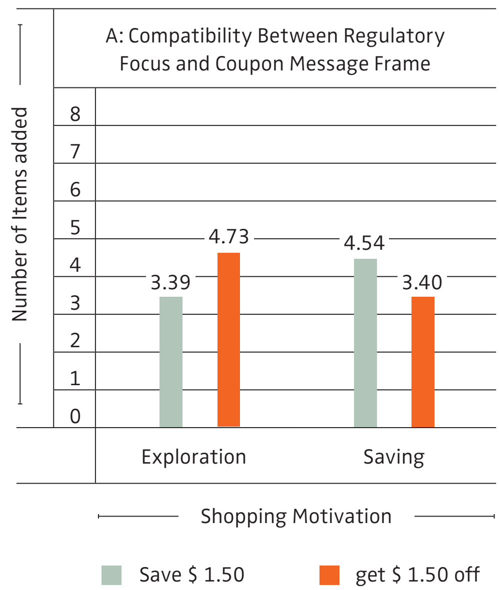
Promotional cues and shopping motivation /// Sales promotions come in a great variety. Some of the most common implementations are "buy one, get one free", "Save $x" or "Get $x off". Sales promotions also differ according to when they expire. Some coupons expire the same day, other offers apply for longer periods of time (e.g., they expire two weeks after starting). The authors predict and demonstrate, in a series of experiments, that the promotion's implementation induces a certain regulatory orientation and leads to effects similar to those in preexisting regulatory orientations. They also show that the compatibility with regulatory orientation, whether preexisting or primed, causes people to add more items, even unpromoted ones, to their baskets. The promoted brand also matters. Selecting either a well known or less familiar brand makes a difference when viewed in combination with the wording of the sales promotion.

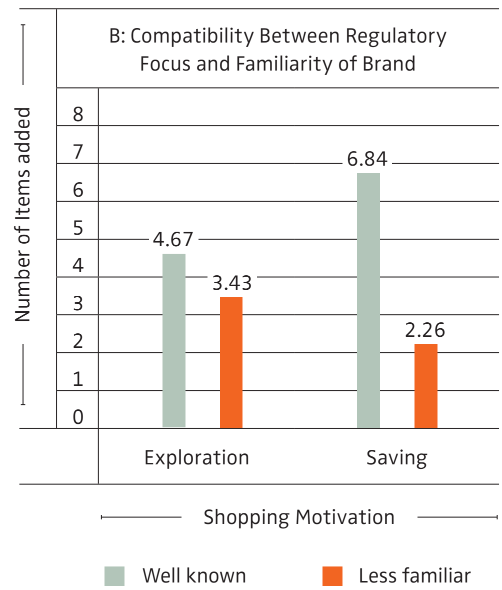
Selling more using the right mix of promoted brands and promotional cues /// Generally, when there is a fit between the type of promoted brand (well known or less familiar, the design of the sales promotion (wording and expiration date) and the motivation to either explore or save money, shoppers add more unpromoted items to their shopping baskets.

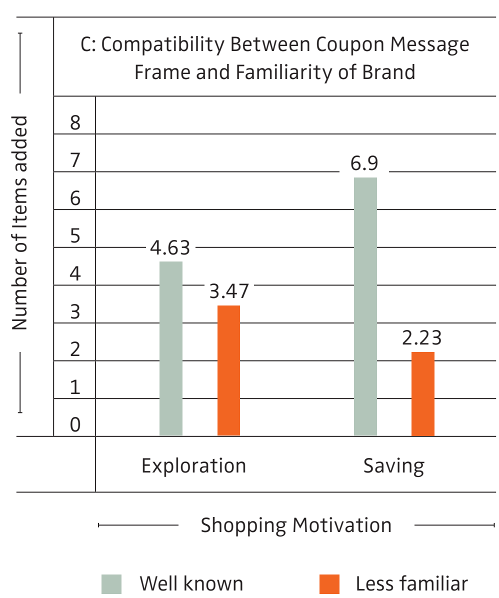
Well known brands, which represent safe choices, are consistent with the prevention of unnecessary expenses and with coupons framed as "Save $x" , On the other hand, less familiar brands, which represent a need for variety, are consistent with an exploration mode and with coupons framed as "Get $x off" or "Buy one, get one free" because they refer to gains. Well known brands are also more compatible with immediately expiring coupons, whereas less familiar brands are compatible with coupons that have longer time horizons. Figure 1 shows the results found in a laboratory experiment on students. A subsequent field experiment in a supermarket confirmed the results. When there is consistency between cues, more articles are added to the shopping basket.

FIGURE 1:

Effects of regulatory focus, message frame and type of brand on size of basket







» The right cues positively influence the whole shopping basket. «

The positive effects on the size of the shopping basket occur both with a pre-existing motivational focus and with a primed one. Marketing cues, such as the framing of a savings message in a coupon ("Save $x" versus "Get $x off" in Experiments 1 and 3) or the nature of the expiration date restrictions on the promotion ("today" versus "in two weeks" in Experiments 2 and 3), prime different regulatory orientations among shoppers. These cues not only serve to reinforce or attenuate shoppers' motivational systems, but they also act independently of such regulatory foci to guide behavior. The guiding mechanism for cross-category effects such as these may be how effectively the promotions activate relevant mindsets and motivations.

Managerial Implications /// In recent years, retailers have placed a lot of importance on their in-store environment and how it affects the purchase decisions of their customers. Retailers should, however, be aware that consumers' orientation to either gaining value or preventing losses is important when attempting to understand individual differences in their responsiveness to promotions.

As far as design variables for promotions are concerned, the framing of the savings message, and the expiration date restriction are important. They influence the efficacy of a promotion, both separately and in combination. Depending on the individual shopping orientation, either preexisting or primed, the right cues positively influence shopping baskets and, by extension, also have an influence on sales.

Consistency is beneficial between the positioning strategies that retailers use in order to differentiate themselves, and their price promotional strategies. Retailers such as Wal-Mart use everyday low pricing strategies to promise savings, carry well known brands, and have conventional store layouts. These are consistent with a prevention focus. According to the findings, they would benefit from using temporary price promotions with more restrictions and savings messages framed as "Save $x".

On the other hand, stores such as Costco and Trader Joe's prime a promotion focus with an unusual store layout, unique items and new products. They would benefit from "Buy one, get one free" offers with generous temporary restrictions.

—

Managerial summary by MIR of an article published in the academic top academic journal "Journal of Marketing Research":

Ramanathan, Suresh; Sanjay K.Dhar (2010): "The Effect of Sales Promotion on the Size and Composition of the Shopping Basket: Regulatory vs. Compatibility from Framing and Temporal Restrictions", Journal of Marketing Research, Vol. 47 (June), pp. 542 – 552.

Suresh Ramanthan,
Professor of Marketing

Sanjay, K. Dhar,
Professor of Marketing

both:
The University of Chicago
Booth School of Business, USA

New!

MIR FORUM

In our new section, "*MIR Forum*", we build a bridge between our research articles and marketing practice. Managers from successful companies discuss the relevance of the research findings and report on their own activities in specific branches of marketing.

1

José Alvarez

is currently a Senior Lecturer at the Harvard Business School, and provides us with an insight into sales promotion initiatives at the U.S. based ***"Stop and Shop"*** chain. He was both President and CEO of the Supermarket Company, a subsidiary of Royal Ahold NV, from 2006 to 2008, and was responsible for over 550 stores in 11 Northeastern states and the District of Columbia. The subsidiary achieved a total of over US$ 16 billion in sales and had around 80,000 employees. Stop and Shop's loyalty program had approximately 15 million members.

2

Volkmar Schwenk

has been working for ***Ferrero Germany*** in a number of different positions since 1982, and has been Head of Trade Marketing since 1999. His current position is Head of Trade Marketing, Sales Planning & Sales Controlling. Ferrero owns and manages a broad portfolio of brands in the confectionary business. Nutella, Mon Chéri, Ferrero Rocher and Kinder are among the most well-known of their 28 brands in Germany.

Ferrero has around 3,600 employees in Germany alone. The entire Ferrero Group records annual sales of around €6.2 billion.

How Sales Promotions Change Over Time

In this issue we take a closer look at Sales Promotions, and we have invited *José Alvarez* and *Volkmar Schwenk* to share their thoughts and experiences with us.

1

MIR: Have your sales promotion activities changed over the last few years?

JOSÉ ALVAREZ: The considerable amount of detailed customer data that was captured at the point of sale as part of the corporate loyalty program has generated significant insights into consumer behavior. ''Stop and Shop'' also had a web-based home delivery service. This data complemented the customer's overall buying history and could be used to further augment the insights gathered. This gave supermarket retailers a substantial advantage in terms of data and ability to execute promotions.

MIR: How did the data help to plan promotions?

JOSÉ ALVAREZ: We were able to understand longitudinal effects of promotions because we had item level detail for each transaction, including promotional information for each item and basket. This data was linked to a customer identifier. It allowed the company to categorize baskets by motivation and to understand the overall impact of a promotion.

The data was also helpful in understanding non-item based promotions, such as ''Spend $100, get $10 off on your next trip''. We were also able to gain a valuable insight into the effects of gasoline promotions, which we found to be of great value to consumers.

MIR: Do you use different sales promotion approaches for different target groups, sales channels or any other categories?

JOSÉ ALVAREZ: "Stop and Shop" used different promotional approaches for different target groups. For example, the company's best customers were given better and different offers in situations where a new competitor was opening nearby. These targeted offers were significantly better at reducing attrition of customers to competitive intrusion.

MIR: How do online and social media marketing transform your promotion strategy?

JOSÉ ALVAREZ: Online and social media are just beginning to have a larger share in the promotional budget. They offer opportunities that were unthinkable just a few years ago. "Stop and Shop", for example, has a smartphone based application that can be used instore to scan groceries for purchase. This application has the ability to direct targeted offers to consumers as they walk through the store based on their shopping history. The offers are generated using the location of the device in the store: for instance, as you walk near the salsa section you will receive a salsa offer.

MIR: What kind of price/rebate framing do you use?

JOSÉ ALVAREZ: The offers always have expiration date restrictions as well as item and category restrictions. The latter are necessary because some offers cannot legally be allowed, for instance on tobacco, pharmacy and alcohol.

MIR: Have you ever used an approach similar to the one described in the article on the research by Ramathan & Dhar (a promotion strategy based on different shopping motivations)?

JOSÉ ALVAREZ: Yes, we have. However, in our case it was based more on the shopping occasion. We compared fresh fill-in trips to stock up trips. Based on our data, we monitored direct promotional effects, demand pull forward effects, cannibalization and cross category effects. We also observed "halo" effects by analyzing how specific promotions affected the entire store's performance. This allowed for a clearer understanding of the financial benefit or loss for each item or category promoted.

» Online and social media are just beginning to have a larger share in the promotional budget. They offer opportunities that were unthinkable just a few years ago. «

2

MIR: Have your sales promotion activities changed over the last few years?

VOLKMAR SCHWENK: Promotion activities have increased considerably for FMCG. As the market leader in the confectionary business, we naturally cannot evade this trend. We have been working intensively on our promotional campaigns and on uncovering latent consumer needs. Our objective is to constantly improve how we satisfy consumer needs in order to expand our market and increase sales volume. In doing this, we are supporting our retailers to generate additional sales and profit.

MIR: Can you give us some examples of recent successes?

VOLKMAR SCHWENK: We develop special editions of some brands (''Ferrero Küsschen'', which have white instead of milk chocolate, or ''Giotto Mandel'', the almond version of the Giotto hazelnut chocolate).

Our ''Fan Connection'' promotion in Germany during the European Football Championship was a very successful reward program. Participants earned points with each purchase of specific Ferrero products and traded them for fan items (e.g. a cap) depending on how many points they collected.

We used seasonal instore advertising for some of our products around Christmas and Easter. They create an emotional atmosphere which increases turnover and profits.

MIR: Do you use different sales promotion approaches for different target groups, sales channels or any other categories?

VOLKMAR SCHWENK: Our portfolio of brands is large, and each brand has very clear target groups. Therefore our promotions have always been very well tailored to specific segments, occasions or seasons. We also provide special solutions for individual retail channels. According to our philosophy, we offer the same amount of opportunities, promotions and placing equipment to all our retailers and customers, even if their fit varies.

MIR: How do online and social media marketing transform your promotion strategy?

VOLKMAR SCHWENK: For years, online and social media have been an integral part of all our branding activities. For instance, we provide special apps for some of our brands. Our most famous brands, such as Nutella or Kinder Riegel, have close to 1.5 million fans on Facebook, numbers that we take pleasure in sharing.

» We now combine certain themes with emotional and motivational content as well as specific promotional packaging to increase category value, turnover and profit. «

MIR: What kind of price/rebate framing do you use?

VOLKMAR SCHWENK: We do NOT offer quantity or retailer specific discounts. Instead, we are known for our temporary added value promotions. For instance, over a limited time period we offer a 10 + 1 Duplo value pack.

MIR: Have you ever used an approach similar to the one described in the article on the research by Ramathan&Dhar (a promotion strategy based on different shopping motivations)?

VOLKMAR SCHWENK: For the last three years we have been investigating how shoppers can be stimulated most effectively. We tested a combination of motivational images and promotional content displayed on instore screens in German supermarkets. Based on the results, we now combine certain themes with emotional and motivational content as well as specific promotional packaging to increase category value, turnover and profit for our Ferrero brands. We target all relevant segments and several possible shopping motivations.

Executive Summaries

Do Referral Programs Increase Profits?

Philipp Schmitt, Bernd Skiera and Christophe Van den Bulte

Marketers increasingly use word of mouth to promote products or acquire new customers. But is such company-stimulated WOM effective? Are customers who are referred by other customers really worth the effort?

A recent study clearly says ''yes''. In a study of almost 10,000 accounts at a German bank, the referred customers turned out to be 25 % more profitable than customers acquired by other means. Over a 33-month period, they generated higher profit margins, were more loyal and showed a higher customer lifetime value. The difference in lifetime value between referred and non-referred customers was most pronounced among younger people and among retail (as opposed to private banking) customers. The reward of € 25 per acquired customer clearly paid off. Given the average difference in customer lifetime value of € 40, this amount implied a return on investment (ROI) of roughly 60 % over a six-year period.

The encouraging results of this study, however, do not imply that ''viral-for-hire'' works in each and every case. Referral programs would be most beneficial for products and services that customers might not appreciate immediately. Products and services that imply some kind of risk would also benefit to a more than average degree from referrals because prospects are likely to feel more confident when a trusted person has positive experiences. Companies should consider carefully which prospects to target with referral programs and how large a referral fee to provide.

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What's Your Experience With…? C2C Communication Helps Sell Your Products

Mavis T. Adjei, Stephanie M. Noble and Charles H. Noble

Consumers increasingly use the internet for pre-purchase information gathering, and its online brand communities have become a valuable source of information. However, not only consumers benefit from the experience of other users; high-quality online conversation can also help companies.

A study of two different online forums for high quality woodworking equipment showed that online brand communities were effective tools for influencing sales, regardless of whether these communities resided on company-owned or independently owned websites. Good consumer comments – timely, relevant and detailed postings – reduced feelings of consumer uncertainty and, in turn, influenced customer purchase behavior in a positive way. The effect of communication quality on uncertainty reduction was stronger for complex products and when the respondents were perceived to be experts. These experts not only provided more valuable information to others but benefitted, in turn, more than novice users from the information provided. It seemed that people with higher expertise asked more specific questions about products and therefore received more specific and helpful replies.

Results showed that the possible adverse effect of negative postings seems to be overestimated. Positive information shared by community members had a stronger influence on purchase behavior and was more influential than negative information – at least below a certain threshold. It is therefore advisable for companies to encourage online consumer communication.

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Emotion and Virality: What Makes Online Content go Viral?

Jonah Berger and Katherine L. Milkman

Companies are relying more and more on online communication to reach consumers. While some viral campaigns are tremendously successful, others remain far below expectations. But why are certain pieces of online content more viral than others?

An analysis conducted on the New York Times' most-emailed list, along with further experimental evidence, showed that positive content is more viral than negative content. However, the relationship between emotion and social transmission is more complex than valence alone. Virality is driven, in part, by activation and arousal. Content that evokes either high-arousal positive emotions (awe) or negative emotions (anger or anxiety) tends to be more viral. Content that evokes low arousal or deactivating emotions (e.g., sadness) tends to be less viral. These results were also true when examining how surprising, interesting, or practically useful content is (all of which are positively linked to virality), as well as external drivers of attention (e.g., how prominently content is featured). Taking the effect of emotions into account helps to design effective viral marketing campaigns.

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Demystifying Disruption: On the Hazard of Being Replaced by a New Technology

Ashish Sood and Gerard J. Tellis

In many industries, new technologies represent a serious threat to established companies. If underestimated, they can endanger their survival. Even if the chances of being disrupted are rather low, companies are well advised to watch out for emerging trends. A large-scale study analyzed the technological evolution of seven markets over several decades and found surprising results, which were not always in line with the most common theories on the topic.

The researcher observed that it was not always easy to predict which technology would ultimately prevail because old and new technologies regularly coexisted for some time and evolution was often erratic. New technologies were introduced both by incumbents and newcomers to the market. Chances of success were higher when the new technology was priced lower than the established technology, but price was less important than quality. Technologies with higher introduction prices also succeeded when they were superior.

New technologies always introduced new dimensions of importance, which gained importance in competition over time. In many cases it was not the pioneer who ultimately succeeded with the new technology. It seems important to believe and invest in new technology, and to not abandon it too early. Further, companies might consider a ''self-cannibalization strategy'' during the times of transition from the old to the new technology.

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Executive Summaries

Line Extension Asymmetry: Higher Quality Brand Extensions Help, Lower Quality Extensions Do Only a Little Harm

Timothy B. Heath, Devon DelVecchio and Michael S. McCarthy

Managers often extend brands to different quality levels. Adding lower priced variants is a particularly popular option for fighting the growing number of retailer brands. Such a move may increase sales, but it also risks diluting brand image.

This study examines such line extensions by testing middle-quality brands that offer higher or lower quality line extensions. According to the results, the adverse effects of brands' lower quality versions seem to be overestimated. Higher quality line extensions improved overall brand perception and evaluation far more than lower quality extensions damaged them. This asymmetry prevailed in multiple product classes and for various dimensions of brand evaluation such as brand attitude, brand expertise or brand innovation.

In general, consumers seem to prefer broader product lines. Even if lower quality extensions reduced brand prestige, there was hardly any effect in the overall evaluation. The negative quality association was tempered by increased perceived brand innovation and positive variety effects.

However, lower quality extensions are not harmless in every case. Managers are well advised to consider all branding options and to analyze possible effects, not only on the brand but also on the individual product.

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Gut Liking for the Ordinary: How Product Design Features Help Predict Car Sales

Jan R. Landwehr, Aparna A. Labroo and Andreas Herrmann

In many markets, design is one of the key factors in determining a product's success. The present research offers insights into the role of design for the success of cars, and offers procedures to measure the quality of the designs objectively.

The authors show that visual design plays a major role in a product's success in the automobile market. In the study, two visual design aspects were already sufficient to significantly improve traditional sales forecasting models for cars. Visual prototypicality and visual complexity both had a positive impact on sales, and designs that were perceived as both prototypical and complex were the ones that displayed the best results.

Most design evaluation used to be based on subjective measures, but the researcher applied a new, objective procedure to measure prototypicality and complexity. While the latter was detected by the disk space needed by the compressed image file, the new approach for measuring prototypicality was even more sophisticated. It relied on the technique of image morphing. Morphing is a technique that allows the construction of a visual synthesis – or average picture – from a number of individual pictures. Once a car morph is developed, one can determine the visual similarity of different car models to the morph in order to obtain its prototypicality.

In principle, this procedure can be automated completely, and including a large number of versions is possible. These measures therefore seem suitable for supporting design decision processes in practice.

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Motivating Salespeople to Sell New Products: What Makes Them Try Harder to Spur on Sales?

MIR summary of an article by Frank K. Fu, Keith A. Richards, Douglas E. Hughes and Eli Jones

Product innovation has become increasingly important as a means for ensuring a competitive advantage, growth and financial success in today's ultracompetitive business environment. To build a competitive advantage, pay off development and start-up costs and to generate cash, it is desirable to be successful from the start. In B2B markets, in particular, the sales force plays a key role in making sales grow quickly and generating cash to fuel further growth. It is therefore in companies' interest to support their sales force as effectively as possible to enable them to fulfill this key task.

According to a study on the sales of two different innovations at a global industrial company, the recipe for high sales performance is fairly straightforward: if salespeople are willing to try harder, their higher levels of effort lead to higher performance. But the simplest and most frequently used attempt to motivate is not the most effective: producing considerable management attention and promotion opportunities for salespeople who meet and exceed established expectations both show limited success. Rather, increased sales are facilitated by an approach that builds on the principle of intrinsic motivation. If management puts emphasis on increasing the inherent attractiveness of selling the new product, as well as on increasing a salesperson's belief in his or her ability to sell the product, the positive impact on sales is stronger.

Therefore, managers should apply normative incentives judiciously. For better new product performance, it seems more advisable to treat salespeople as the first ''customers'' and reinforce a positive attitude towards the task in early selling attempts.

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Buy One, Get One Free: How Framing Sales Promotions Affects the Whole Shopping Basket

MIR summary of an article by Suresh Ramanthan and Sanjay K. Dhar

According to this study, sales promotions not only affect the sales of promoted items, but also of unpromoted brands and, therefore, the whole shopping basket. The authors demonstrated, in a series of experiments, that the framing of promotions matters. Specific promotions motivate consumers to add more items to their baskets if they are well aligned with the shoppers´ dominant shopping orientation as well as different types of brands. Well-known brands, which represent safe choices, worked well with a savings orientation and with coupons framed as ''Save $x'' and ''Buy one, get one free''. Less familiar brands, which represent a need for variety, were consistent with a promotion focus and with coupons framed as ''Get $x off''. Well-known brands were also more compatible with immediately expiring coupons, whereas less familiar brands were compatible with coupons that have longer time horizons.

For retailers, it seems advisable to have a closer look at consumer shopping orientations. Among the design variables for promotions, the framing of the savings message and the expiration date restriction are important variables. Depending on the individual shopping orientation, the right cues positively influence whole shopping baskets and hence sales. Further, consistency is beneficial between the positioning strategies used to differentiate themselves from other retailers (e.g., everyday low-price strategies as opposed to value oriented positions) and their price promotional strategies.

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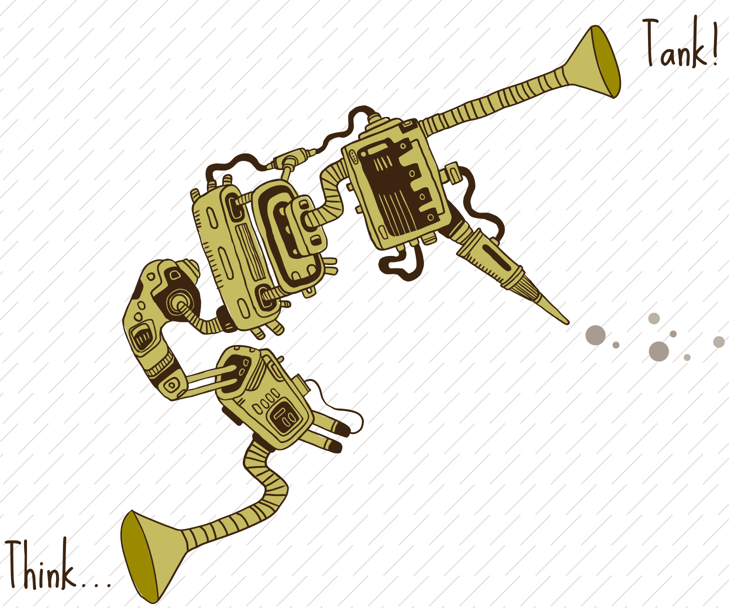

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