GfK Marketing Intelligence Review

GfK Verein

GfK MIR – From Academic Research to Practical Use.

RESEARCH HIGHLIGHTS

GfK-Marketing Intelligence Review (GfK MIR)
for managers and market research professionals.

•

Readers of GfK MIR have their fingers right
on the pulse of marketing science.

GfK MIR offers
…

>>
a chance to view the very latest in academic marketing research

>>
accessible, relevant insights from academic marketing research, to further marketing management without having to study long and hard to understand the original papers

>>
insights on how modern marketing research techniques can support marketing management

Our top-class international editorial team
…

>>
presents academic research findings from the world's most renowned marketing researchers

>>
tracks recently published research papers from more than 30 leading marketing journals

>>
selects, from hundreds of studies, the most interesting and relevant for marketing practitioners

>>
gives academic details as clear and relevant key results

>>
provides concise summaries of research highlights and new methods

>>
transforms academic terminology into more comprehensible language

Contents


Choosing
the
BEST!

Editorial Board

Editorial

Rarely before has the customer journey been the cause of so many unanswered marketing questions. Since the rise of the Internet, many, if not all, marketing rules have been challenged and thus must be reconsidered. In this situation, marketing science has a broad field of investigation and can generate valuable insights into new consumer behaviors and the functioning of markets. In this issue, we present such insights from eight fascinating studies. Most of them highlight approaches to addressing Internet-driven marketing challenges.

Our journey begins with a look at the ***"wisdom of the crowds"*** in online product evaluations. Find out how bias in the posting population can lead to a skewed overall impression on page 8. Despite this distortion, another study shows that ***online chatter*** is still relevant – even on the trading floors: Learn how an investment strategy based on online consumer evaluations succeeded in outperforming the Standard & Poor's 500 index on page 13.

Viral marketing, our next topic, draws from consumers' joy in "electronic socializing." A user's inclination to share experiences, games and tools can be reinforced by built-in viral product features, according to recent research. Read how an app's spread can be significantly boosted when a Web service is equipped with the ability to automatically inform Facebook friends about an adoption or invite them to use an app on page 18. But ***social networks*** carry risks as well. One's friends not only encourage the use of offers, they may also prompt users to terminate services (p. 40).

Constant online activity has further encouraged mobile marketing, and an increasing number of companies now offer ***branded apps*** to consumers. Under certain conditions, the apps can be successfully used for brand communications, but some risks remain. Research shows that the apps must be seen as useful (p. 24), and this notion is supported by marketing managers at Nestlé, BMW and Allianz. They share their experiences with branded apps in our MIR-Forum (p. 53).

Other stations in our journey include the interplay between ***online shopping*** and brick-and-mortar stores (p. 28), consumers' ***grocery-shopping strategies*** (p. 34) and ***marketing controlling*** (p. 46). This last article demonstrates how vector autoregression models help identify metrics with the strongest impact on sales and observe lagged effects from specific activities.

Finally, I would like to announce some upcoming changes to our journal: We will extend our electronic offers to subscribers next year, and all future issues will each be centered on a specific marketing-related topic. These issues will be orchestrated by guest editors who are specialists in that topic's field. Therefore, I will be saying goodbye to you as editor-in-chief in this issue. I hope you have enjoyed reading GfK MIR as much as I have enjoyed the editorial work.

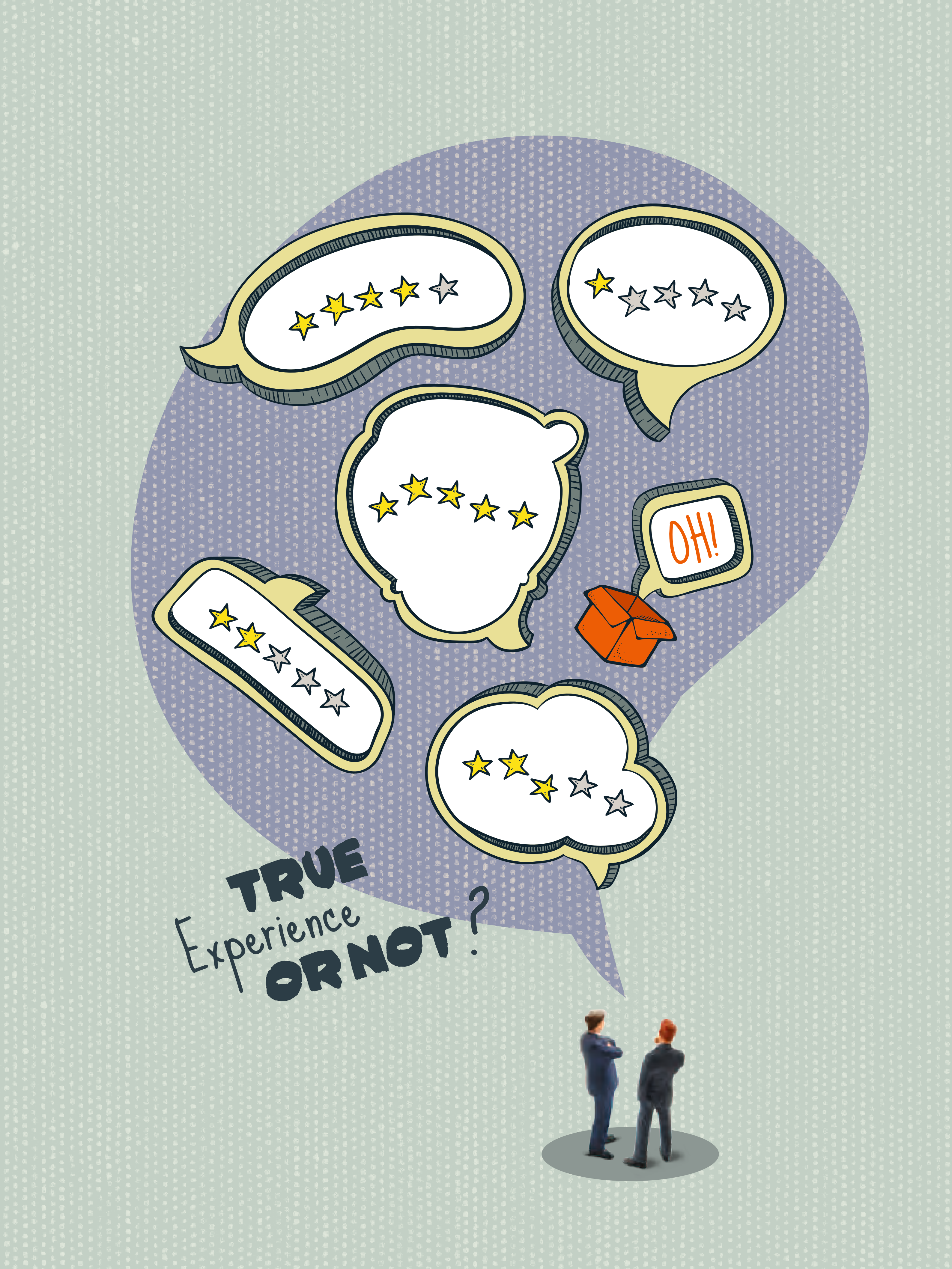
Yours,
Hermann Diller
Editor-in-chief

Nuremberg, September 2013

CONTACT

You can contact us at
diller@wiso.uni-erlangen.de
Phone + 49 911 5302-214
Fax + 49 911 5302-210

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


OH!
TRUE
Experience
OR NOT
?

Positive, Negative or Not at All?

What Drives Consumers to Post (Accurate) Product Reviews?

Wendy W. Moe and David A. Schweidel

KEYWORDS

Online Social Media, Word of Mouth, User-Generated Content, Product Ratings

THE AUTHORS

Wendy W. Moe,
Robert H. Smith School of Business,
University of Maryland,
College Park, Maryland, U.S.,
wmoe@rhsmith.umd.edu

David A. Schweidel,
Goizueta Business School,
Emory University,
Atlanta, Georgia, U.S.,
dshweidel@emory.edu

Will the new printer actually perform as promised in the product description? Is it easy to use and convenient to set up? To find out, consumers no longer depend on the information provided by the brand itself. Experiences of other users are readily available online in the form of product ratings, reviews, blogs or discussion groups and guide a consumer's decision to buy or not to buy a product. These sources are convenient, valuable pools of information not only for those interested in buying, but for marketers as well – at least as long as the information they contain reflects the true experiences of a typical crowd of users. But how reliable is this information? Can it actually be trusted more than official brand communication? To answer these questions, two researchers took a closer look at who actually writes such comments and examined their motives. What they found is that online opinions should indeed be interpreted with care.

Why do people post online? /// An overwhelming majority of individuals engaged with online content are "lurkers." They read comments but do not produce posts themselves. One of the major reasons to voice one's opinion online is direct personal experience with a product. In the offline world, individuals who are extremely dissatisfied with a product are more likely to engage in word-of-mouth activities. As a consequence, offline word of mouth tends to be disproportionately negative. However, for reasons still unknown, a very different dynamic exists on the Internet. Across several studies, researchers have observed that overwhelmingly positive product ratings are being posted online. An analysis of 3,600 product ratings posted by 2,400 individual raters contributes new insights into why and how people engage in posting product evaluations.

»
Experts often try to differentiate themselves by contributing more negative opinions.
«

> This study showed that both extremes – a high and a low post-purchase evaluation – increased the likelihood of posting. Individuals were more likely to submit ratings when they were very satisfied or not satisfied. When their evaluation was moderate, the probability for posting an evaluation was lower.

> In addition, the rating environment had an impact on the decision to submit a post. Virtually all individuals exhibited a preference for posting in more positive ratings environments. In other words, consumers were more likely to post an opinion when the ratings already posted were more positive.

> In addition to looking at the general tone of the comments (positive or negative), the researchers examined the degree of consensus among the ratings. They observed that frequent raters were more likely to post in dissentious environments, whereas less-active posters were more prone to post when consensus dominated the posting scene.

What influences user comments? /// The degree of consensus not only influenced the decision to contribute a post but also the posted opinion itself. Similar effects have been noted in opinion polls during pre-election periods. Publishing their results can influence election turnout by either causing "bandwagon" behavior or an "underdog" effect. The former causes voting in favor of the leading candidate, whereas the latter benefits the trailing candidate.

> The analysis of posting behavior showed that the least-active posters exhibited bandwagon effects by adjusting their posted evaluations upward when previous ratings were more positive. They were also more positive when previously posted opinions varied. To some extent, these individuals can be characterized as "low involvement." Not only were they less engaged in terms of their level of posting activity, but they were also easily influenced by others.

> The most active posters stood in stark contrast to the low-involvement posters. In general, they were more negative and exhibited differentiation behavior (as opposed to bandwagon behavior) by adjusting their evaluations downward in positive ratings environments.

> Their posted opinions were even more negative when there was increased opinion variance. Such behavior is typical for individuals who want to be perceived as "experts." They often try to differentiate themselves by contributing more negative opinions. Overall, these individuals appeared to be "activists" who were highly engaged and may have tried to establish themselves in the community by offering differentiated and more negative opinions designed to attract the attention of others.

KEY FINDINGS

>

Individuals are more likely to submit online ratings when they are either very satisfied or not satisfied.

>

Positive environments increase posting incidence, whereas negative environments discourage posting.

>

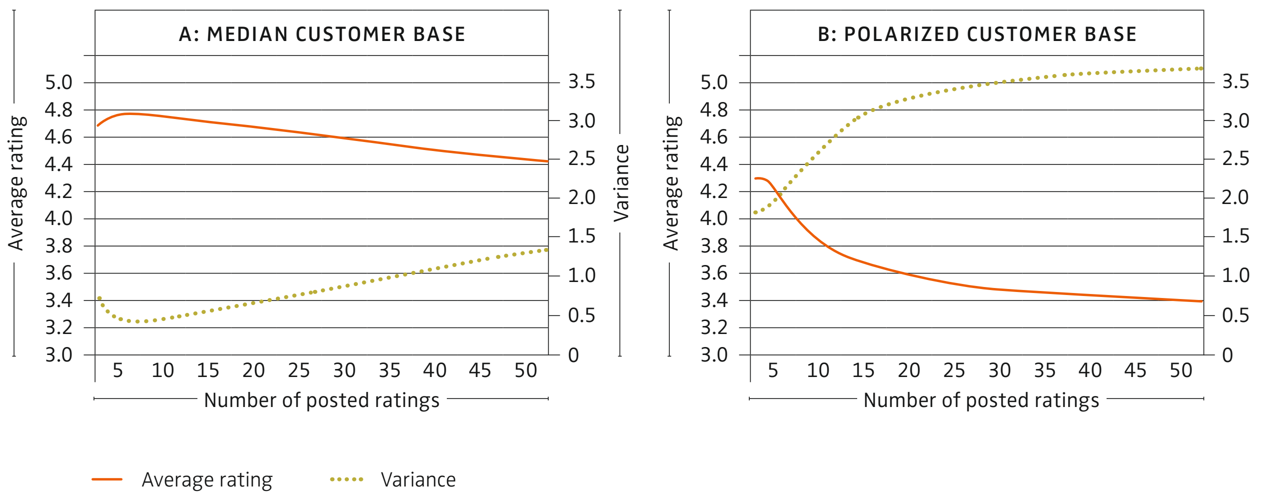
Less-frequent posters are more positive and exhibit bandwagon behavior, whereas more-active posters are more negative and exhibit differentiation behavior.

How product opinion evolves over time /// The researchers used their data to simulate how overall opinion in the rating environment evolved over time. In a first simulation, they observed how the average rating and the variance of the ratings changed for a random sample of the database. As more ratings were posted, the average rating decreased and the variance across ratings increased. This dynamic was driven by a shift in the composition of the posting population. With more ratings, the ratings environment exhibited more variation in opinions, thereby attracting activists who were more negative in their evaluations and deterring lower-involvement/more-positive posters. As a result, the composition of the posting population changed, contributing to a gradual decline in average ratings. "The selection effect is central to the way in which expressed opinions evolve," co-author Wendy Moe summarizes.

In a second simulation, the researchers compared a highly polarized customer base with one that was relatively homogenous and representative of the average opinion. As expected, the posted ratings resulting from the homogeneous customer base were relatively uniform and exhibited a slight downward trend.

FIGURE 1:

Simulated ratings evolution: Homogenous versus polarized customer base



In contrast, the posted ratings from the polarized customer base were more negative and exhibited a stronger downward trend. This dynamic was driven by the more negative baseline evaluation and the differentiation behavior of the activists who represented half of the customer population in the polarized customer base but were absent from the homogenous customer base. The contributions of this core group of posters eventually resulted in posted ratings that were dominated by extreme negative opinions and did not reflect the distribution of opinions from the overall customer base.

User comments might be biased /// The study results show that the composition of the customer base can exert substantial influence on posted online opinions. Due to selection bias and adjustment effects over time, the content posted may not necessarily reflect the customer base's overall opinion of the product. Rather, a subset of active contributors may dominate the ratings environment. These activists tend to steer the subsequently posted evaluations and deter others from voicing their opinion.

Therefore, marketers and consumers alike must exercise caution in drawing inferences from posted product ratings and reviews. The opinions they observe may not provide an accurate gauge of the overall customer base's perceptions. It is critical that marketers understand who is contributing opinions to forums, their motives for doing so, and what influences their behavior. Even if decision-makers can gain valuable insights from the analysis of this pool of information, they should not rely on this source exclusively.

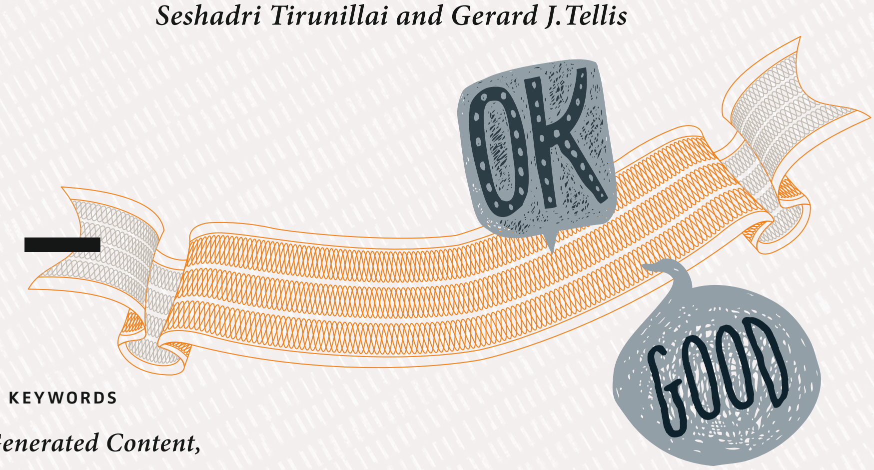
—

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

Moe, Wendy; Schweidel, David (2012): "Online Product Opinions: Incidence, Evaluation and Evolution", Marketing Science, Vol. 31 (May/June), pp. 372 – 386.

User-Generated Content and Stock Performance: Does Online Chatter Matter?

Seshadri Tirunillai and Gerard J. Tellis



KEYWORDS

User-Generated Content, Online Word of Mouth, Stock Returns, Online Chatter

THE AUTHORS

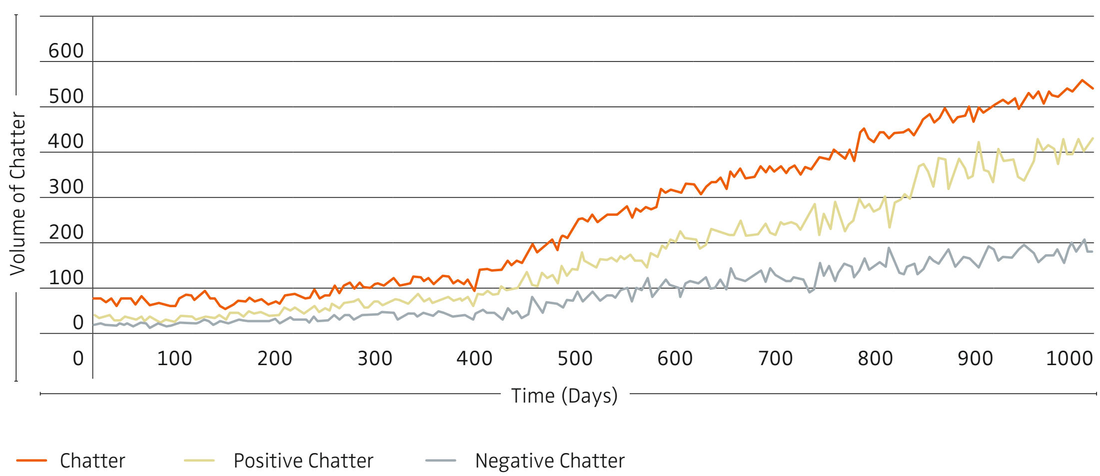
Gerard J. Tellis,
Neely Chair of American Enterprise, Director of the Center for Global Innovation, and Professor of Marketing, Management and Organization at the USC Marshall School of Business, www.gtellis.net

Seshadri Tirunillai,
Assistant Professor, C.T. Bauer College of Business at the University of Houston, seshadri@bauer.uh.edu

Consumer comments on the rise /// Have you ever read a consumer review online before buying a new product? Quite likely. The amount of user-generated content online is massive and continues to grow rapidly. In 2010, 131.4 million users were estimated to have read a product rating, review or other electronic form of word of mouth while about 95.3 million users had submitted product feedback. But potential consumers are not the only ones influenced by electronic word-of-mouth reviews. Online chatter can also strongly affect the companies selling the discussed products, either by boosting or slowing sales. And according to a new study, user-generated content may even affect stock prices.

FIGURE 1:

Total number of reviews posted by consumers about the products of a company in a day



Marketing professors Gerard T. Tellis and Seshadri Tirunillai looked at consumer data from 15 brands across six markets from June 2005 to January 2010: personal computing, cell-phones, personal digital assistants or smartphones, footwear, toys and data storage. A total of 347,628 consumer reviews and product ratings from the most popular websites that allow users to leave comments on goods — Amazon.com, Epinions.com and Yahoo Shopping — were analyzed. Figure 1 shows that user-generated content rose continuously over the observed period of time and that positive comments dominated the reviews across the markets.

Consumer reviews move markets /// The researchers found that having a higher volume of user comments, regardless of their assessment, was a strong indication of an increase in stock prices. Chatter levels led returns by a few days. This effect prevailed even after controlling for analysts' forecasts, media citations, advertising and new product announcements.

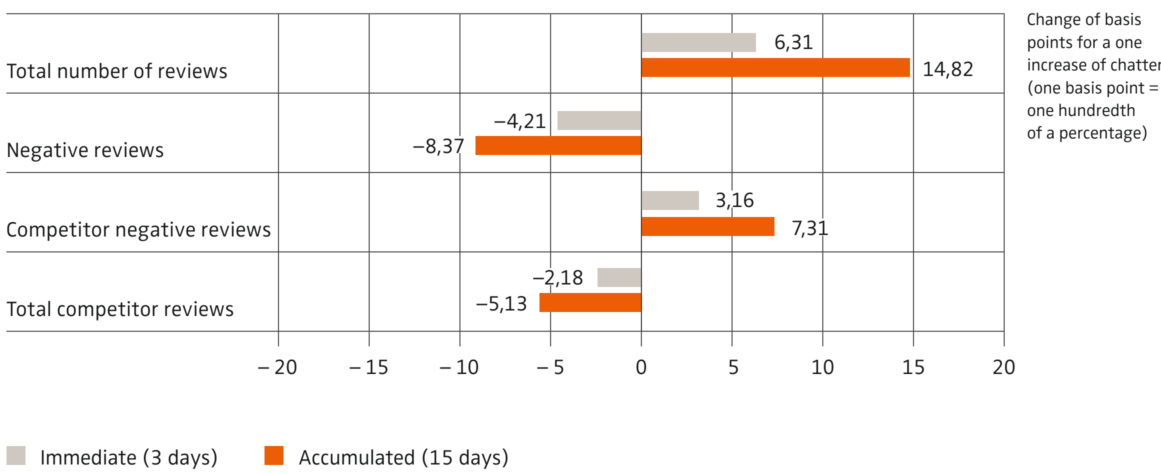
Figure 2 shows how different forms of user-generated chatter on online platforms changed stock prices according to the estimates of a vector autoregression model.

In addition to overall chatter volume, the researchers found that negative reviews had a stronger impact than positive reviews. The effect of positive chatter was neutral in either direction and proved unhelpful in predicting stock prices. "Bad reviews affect the stock prices of the companies making those products, causing negative returns of as much as 8 %," explains study co-author Tellis in his analysis. Negative user comments showed a strong, immediate impact on returns the next day, which then leveled off over a period of four days.

» The chatter on the Web is not cheap talk – it's valuable talk. «

FIGURE 2:

Risk-adjusted stock returns



The authors offer several explanations as to why negative chatter has a stronger effect than positive comments. First, consumers seem more suspicious of positive reviews. Furthermore, negative reviews may have a stronger effect on consumers because the content is more informative and harder to come by in such forums – positive reviews were four times more common than critical ones.

For investors, negative information may also be more important. In general, people tend to pay more attention to losses than gains, but investors are likely to be particularly sensitive to financial loss. That is, the pain from negative information weighs more heavily on them than the gain from positive information. And finally, positive information may already be well known to investors from advertising and press releases.

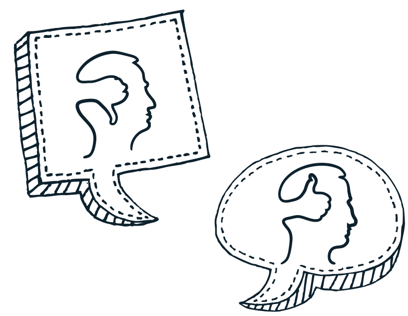
Interestingly, numerical (five-star) ratings did not have any significant impact on returns. However, posts about rival products did affect stock prices. An increase in chatter about a competitor also drove up the volume of chatter about the target firm but had an adverse effect on its returns. Chatter about a competitor decreased returns of the target firm by 2.2 basis points in the short term and by 5.1 basis points cumulatively. As seen in Figure 2, an increase in a competitor's negative chatter, however, had a positive influence on the target firm's returns.

User comments can financially impact stock returns ///

"The chatter on the Web is not cheap talk – it's valuable talk," Tellis says. According to the research results, negative chatter could, in fact, erode about $1.4 million from the average market capitalization in the short term and $3.3 million over the 15 days after it appears. To better estimate the dollar value of the findings, the researchers calculated possible profits for an initial investment of $100 million. They either sold or bought stock on a daily basis depending on the prevailing valence of chatter from the previous day. The composition of each portfolio changed daily as firms were added or removed depending on the valence of the chatter on the given day.

The overall gains using this strategy yielded an average annual profit of $7.9 million over the four years in the sample. With this result, the researchers beat the Standard & Poor's 500 index by 8 % by buying stock based on positive chatter and short-selling it after negative chatter.


BAD
Negative chatter
has a
STRONGER
EFFECT
than positive comments.



Implications for marketing managers

- **The voice of the masses is loud and clear on the Internet** /// It is a source of valuable information about a firm's performance that is beyond what normally can be determined through standard sources. Thus, marketing managers should monitor consumers' online talk as part of their marketing research. It is not necessary to wait for sales or earnings reports to gauge the performance of brands and products. Negative content, according to the study's results, is critical, and those who ignore consumer opinion might miss opportunities to detect problems and handle them before they cause too much damage. Actions can and should be taken to combat negative chatter.

- **Advertising has a positive influence on user comments** /// The study shows that advertising has a positive effect on chatter. It increases the overall chatter, and for every percentage point increase in spending on advertising, the negative comments decrease by 0.06 %. Because offline television advertising increases the volume of chatter while also lowering the number of negative reviews, firms can use it to favorably influence online word of mouth. However, the advertising would have to be managed in such a way to appropriately address the issues raised in negative chatter.

- **Denial of a problem is the wrong reaction** /// Textual analysis of negative chatter could signal potential problems or discontent among consumers. If specific problems become obvious, other, more immediate reactions than advertising might be advisable. Whether it's a faulty iPhone antenna, service problems at Dell or a guitar being broken by United Airlines, if a company's first reaction is denial, it likely won't help stock prices. Admission, apology and correction are much better methods. Corrective action could avert any long-term damage to shareholder value.

Implications for investors

- Portfolio analysis indicates that buying and selling stocks on the basis of chatter valence can lead to an average gain of $27 million over one year, even for only six markets and 15 brands.

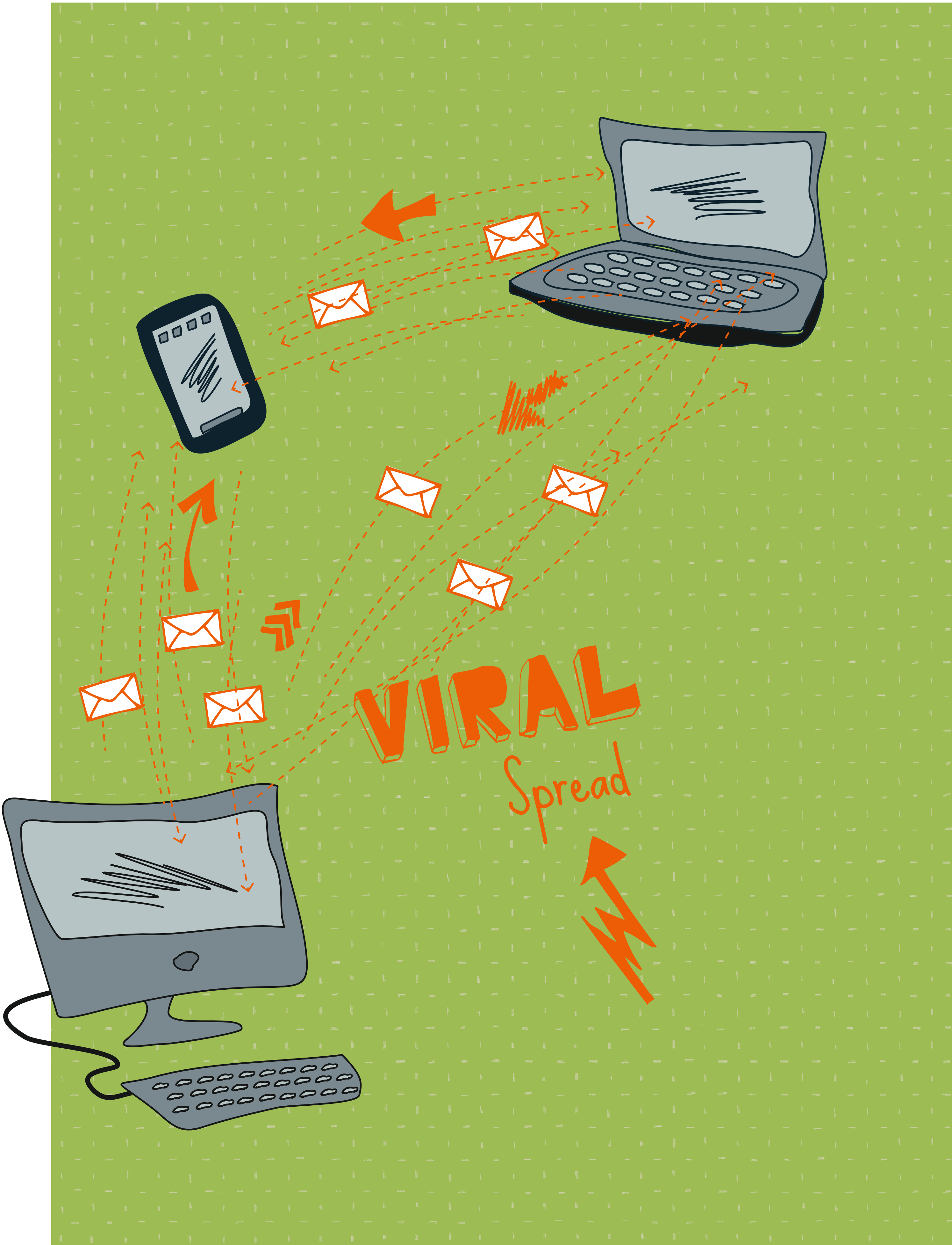
- This finding highlights the importance of the information that can be gathered from user-generated content to investors and other stakeholders. Conventional sources of investor information, such as site visits, industry reports, company press releases, expert reviews in the media and regular sales and earnings announcements are available at only sporadic or infrequent intervals. Online comments, on the other hand, can be accessed immediately, and they represent new information otherwise unavailable to investors through traditional channels.

—

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

Tirunillai, Seshadri; Tellis, Gerard J. (2012):
"Does Chatter Really Matter? Dynamics of User Generated Content and Stock Performance",
Marketing Science (March/April), pp. 198 – 215.

This study benefitted by a grant of Don Murray to the USC Marshall Center for Global Innovation.


VIRAL
Spread

Designing Viral Product Features for Broader Reach

Sinan Aral and Dylan Walker

KEYWORDS

Viral Marketing, Peer Influence, Social Contagion, Social Networks, Viral Product Design

THE AUTHORS

Sinan Aral,
MIT Sloan School of Management,
Cambridge, Massachusetts, U.S.,
sinana@mit.edu

Dylan Walker,
Boston University School of Management,
Boston, Massachussetts, U.S.,
dtwalker@bu.edu

Companies increasingly rely on "network" and "viral" marketing within their communication strategies. The idea is that a message should spread like a biological virus and reach as many individuals as possible. While some campaigns are tremendously successful, others languish far below expectations. Among the commonly accepted factors for success are the quality of the message and the targeting of influential multipliers. This study looks at a new aspect in diffusion research: how to design a product in a way that encourages virality.

Viral product design – the process of explicitly engineering products so they are more likely to be shared among peers – is not exactly new. It has existed at least since the first chain letter was sent in 1888. However, viral features have become more sophisticated, and information technology is now used to spread product awareness. This study compares how two different features of a viral product influence the spread of an application. Box 1 describes the features, and Box 2 outlines the field experiment.

Viral product features boost diffusion /// Though the demographics and Facebook activity patterns of the users in the three groups were the same, measures of peer response to the viral features differed significantly.

- Compared with the control group, the percentage of adopters in a user's local network was approximately 450 % higher for those in the passive-broadcast group and 750 % higher for those in the active-personalized group that enabled both personal invitations and broadcast notifications. These figures confirm that word of mouth is considered more effective at promoting product contagion when it is personalized and active.
- Measures of the speed of adoption revealed that the viral features increased the spread of the app. The time it took for the first peer adoption of the app was approximately 200 % shorter for users in the passive-broadcast treatment group and approximately 300 % shorter in the active-personalized group.
- Maximal diffusion depth showed the extent to which a viral feature led to adoption beyond a user's immediate local network. The average maximal diffusion depth was approximately 360 % greater for the passive-broadcast treatment group and 450 % greater for the active-personalized treatment group compared with users who received neither feature.
- Finally, average app activity was approximately 130 % higher in the passive-broadcast treatment group and 140 % higher in the active-personalized treatment group. As more of their peers adopted the app, users were more engaged and used the app more themselves. While notifications increased short-term use, invitations had a sustained effect.

{Box 1}

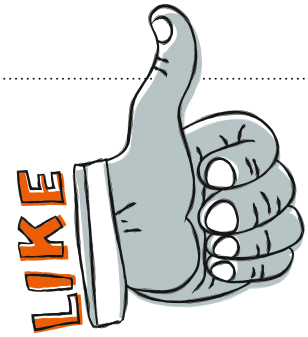
MOST COMMON VIRAL PRODUCT FEATURES

While viral characteristics are fundamentally about content and the psychological effects it can have on a user's desire to share a product with peers, viral features affect how a product is shared. They enable communication and promote the product's use by other consumers. Examples of typical viral features include hypertext embedding of a product on publicly available websites and blogs, automated notifications of users' activities and facilitation of personalized invitations. The latter are more common and are investigated in this study.

Personalized referrals/invitations /// Personalized referral features allow users to select their friends or contacts from a list and invite them to adopt a product or service, with the option of attaching a personalized message to the invitation. Social networking websites enable users to "invite their friends" to join the service through personalized referrals. When users send an email from a Web-based service, for example Gmail, an automated pop-up hyperlink prompts them to invite the recipients to join the service.

Automated broadcast notifications /// Automated broadcast notifications are automatically triggered by normal user activity. When users engage with the product in a certain way (e.g., send a message, update their status), those actions are broadcast as notifications to their contact list. Notifications build awareness among friends of new activities or products that users are adopting or engaging with. This information can encourage those friends to eventually adopt the product themselves. For example, social networking websites typically post a notification automatically when a user adopts a new app or achieves some app milestone.

{ *Box 2* }



WILL FACEBOOK FRIENDS ADOPT A FREE APP?

To analyze the success of these viral features, we collaborated with a Facebook developer and a client to develop three versions of a free app that provides users the opportunity to share information and opinions about movies, actors, directors and the film industry in general.

One group received the app without any viral features, the second group received the app with a feature to send personalized invitations, and for the third group, passive-broadcast notifications were enabled. All three versions also collected personal attributes and preferences from users' Facebook profiles, as well as data on their social networks and the personal attributes and preferences of their network neighbors.

By comparing peer adoption across the randomly selected users of each group, researchers were able to observe the impact of the viral features. Using detailed clickstream data on users' online behaviors, they were further able to estimate adoption rates beyond the immediate network of original users and to analyze further product adoption and sustained product use.

EXPERIMENT OVERVIEW

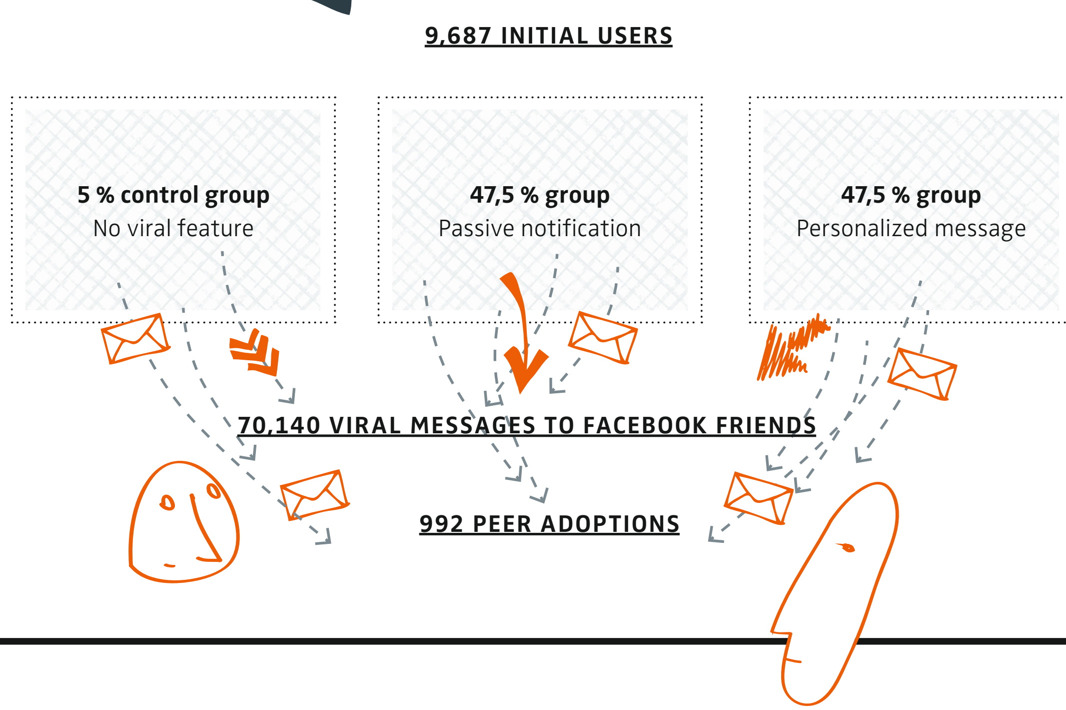
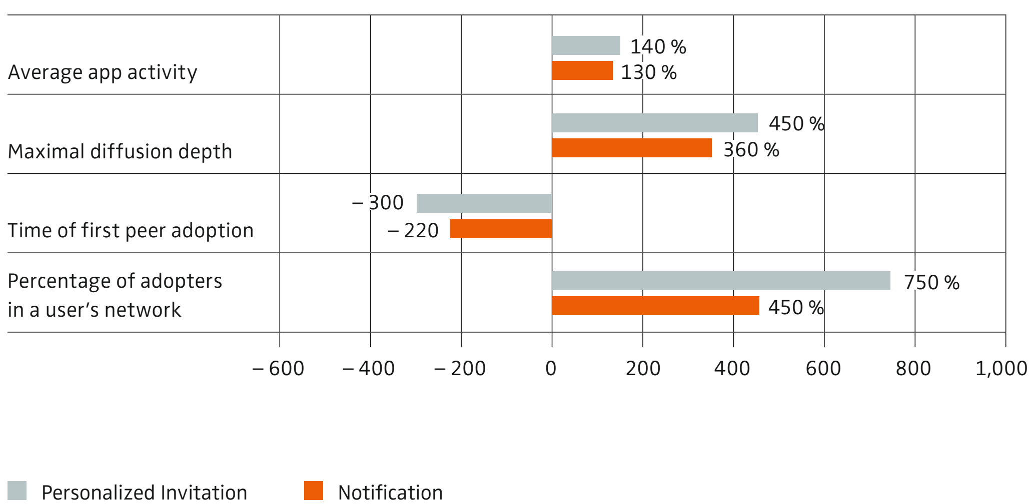


FIGURE 1:

Viral features increase adoption, speed of diffusion and use of the app



»
Compared with classic online advertising, invitations or notifications seem to be a good alternative.
«

Notifications created more adoption but less engagement and lower yield per message /// In online environments in which consumers are bombarded with irrelevant information, more personalized-active features, such as invitations, had a greater yield – in this case the adoption rate per message – than passive-broadcast features.

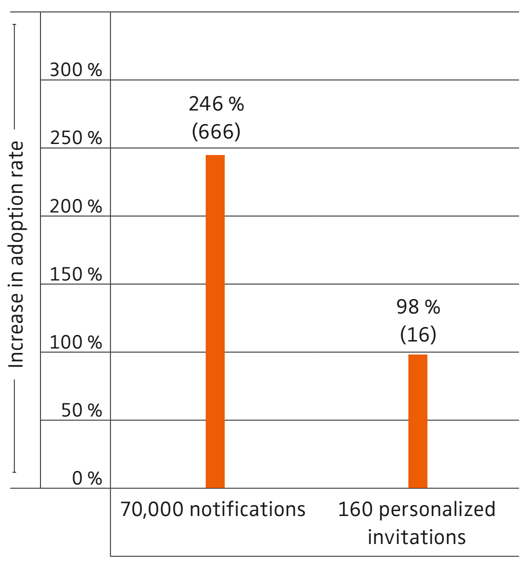
Although each personalized referral had a much stronger impact, notifications outperformed the invitations in overall adoption. Figure 2 shows the results of a clickstream analysis and illustrates the effect. Notifications require no user effort and are sent automatically to peers. Therefore, substantially more messages were generated. Personalized features require more initiative and activity from the user. The number of users who made this effort was much smaller. Overall, users of the passive-broadcast app experienced a 246 % increase in the rate of app adoption, whereas adding active-personalized viral messaging capabilities generated only an additional 98 % increase in adoption compared with the group without viral features. However, personal invitations created more engagement among users than broadcast notifications, increasing the intensity of use and reducing churn.

Insights for managers

The results suggest that it pays off to integrate viral features into products. Compared with classic online advertising, invitations or notifications seem to be a good alternative – at least as long as their use is limited. Bombarding users with messages from peers may reduce their effectiveness and the overall quality of the user experience, but a comparison of success rates at the time of the experiment was impressive.

FIGURE 2:

Overall increase in the rate of adoption



Adoption rate:
Invitations: 0.1 %, Notifications: 0.01 %

Viral features outperform typical Facebook ad and paid search campaigns /// The tested app spread faster and further with either viral feature and seemed more effective in encouraging new product adoption than traditional marketing campaigns. Notifications produced a 1 % conversion rate, and invitations had a 10 % conversion rate. Both vastly outperformed the Facebook ad campaign used in the recruitment phase of the experiment, which produced only a 0.01 % conversion rate. Because Facebook currently has the largest market share of display advertising on the Web, these comparisons reflect the relative performance of viral product design and the lion's share of Web-based display advertising. The personalized invitations also outperformed typical conversion rates in paid search advertising, which are estimated at 0.02 %.

Viral features outperform typical click-through rates /// Although conversion rates are typically smaller than click-through rates, the viral product features outperformed in this measure as well. The 1 % conversion rate on notifications is higher than the typical click-through rates of banner advertising, which usually range from 0.1 % to 0.2 %. Invitations with a conversion rate of 10 % are more effective than email marketing campaigns with click-through rates ranging from 2 % to 6 %.

Implementation of viral features is fairly inexpensive /// The implementation of viral features incurred a low, one-time fixed cost of approximately $600. The expected return, on the other hand, was proportional to the increase in adopters the feature generated. Viral product design may be more cost-effective than increased spending on traditional digital advertising, which incurs costs proportional to impressions or clicks. To reach an initial base of users, however, traditional advertising might be necessary.

Optimizing viral features might increase effectiveness /// Active-personalized features work well, but the large amount of effort required of users curtails their use. One solution might be to couple active-personalized features with referral incentives that encourage use. Optimally designed incentive strategies could motivate users to generate more personalized referrals and to target and personalize viral messages more effectively.

Reinforce feedback loops on product adoption /// Another option might be to integrate feedback capabilities into the viral features. The app could generate automated notifications when a peer adopts or uses the app in a certain way. Results show that additional users among one's friends drive a positive feedback loop: Product use drives peer adoption, and peer adoption in turn drives product use. Managers could try to reinforce this feedback loop by designing viral features and feedback tools into their products.

—

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

Aral, Sinan; Walker, Dylan (2011): "Creating Social Contagion through Viral Product Design: A Randomized Trial of Peer Influence in Networks", Management Science, (September), pp. 1623 – 1639.


BRANDED
APPS
stronger
hehe...
BRAND
IDENTITY

Brand Communication with Branded Smartphone Apps: First Insights on Possibilities and Limits

Managerial Summary by GfK MIR

KEYWORDS

Branded Apps, Mobile Marketing, Online Advertising

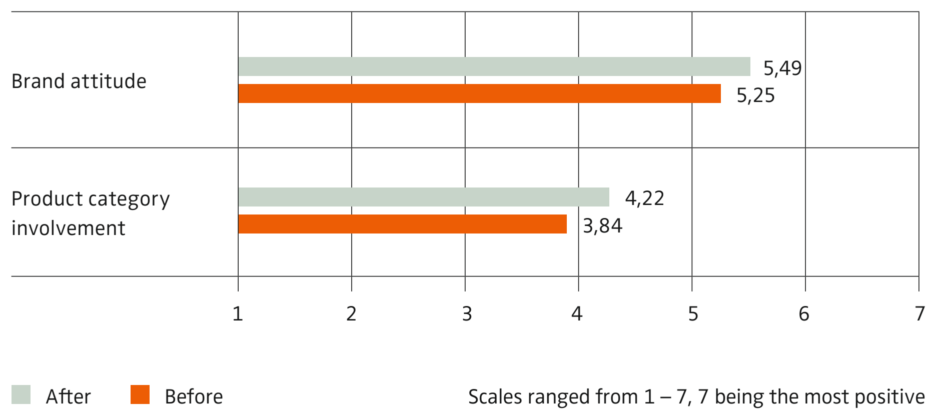
The omnipresence of smartphones and new habits of media consumption cannot be overlooked by advertisers. Among more traditional mobile initiatives, such as conventional advertising and text-message campaigns, branded apps represent a new possibility for enhancing brand images and service satisfaction. Branded apps prominently display brand identity, often via the name of the app and the appearance of a brand logo or icon, throughout the user experience. Procter & Gamble Co. offers, for instance, a Pampers app with helpful information for parents and entertainment for babies. BMW and other car manufacturers provide mobile car configurators to visualize certain car models in 3-D. Compared with other forms of advertising, branded apps are welcomed as ''useful.'' Therefore, they can be considered as ''pull'' rather than ''push'' advertising. Product tips and tricks, how-tos and DIY information help consumers learn to more effectively use a product or to better integrate it into their lives. Advertisers need no opt-in permission because consumers download the apps on their own initiative. They assume that the high level of engagement associated with users' experiences in interacting with mobile phone apps is likely to make the advertising messages conveyed by those apps highly persuasive. App users tend to process brand-related information more deeply and for a longer time than, for example, watchers of a television ad. As a result, advertisers expect consumer affinity for a brand to gradually expand.

App interaction strengthens connection with a brand /// An experiment conducted by Australian and American researchers confirmed that app interaction consistently improved brand attitude, purchase intention and involvement in the respective product category. More than 200 participants were exposed to eight different branded apps –Target, Kraft, Gap, Lancôme, Gillette, BMW, Best Buy, Weber – offered on the iTunes App Store. In a laboratory setting, the participants interacted with each app for as long as they were interested and answered questions on the brands in focus before and after exposure. The apps represented various product categories and were either primarily informative or experiential.

Figure 1 compares the results of the surveys before and after participants' interaction with the apps and shows the increased interest in the brand.

FIGURE 1:

Branded app exposure effect on brand attitude and product category involvement



» The next challenge for branded apps is to make them so useful that they remain on a consumer's short list and keep being used. «

> Remarkably, not only the brand itself, but general interest for the whole category, was positively influenced.

> Branded apps had a strong effect on the favorability of brand attitude, and a smaller but positive effect on purchase intention.

> Neither familiarity with the brand nor the level of relevance of the product category made a difference in the effectiveness of a branded app.

> Shifts in brand attitude and purchase intention were identical for both high- and low-relevance apps, such as when female participants interacted with apps targeted toward men.

> The additional biometric measurement of heart rate showed different results for men and women when taking a closer look at various creative styles. Male participants had higher heart rates when using informational apps. This reaction indicates the focusing of attention internally, away from external smartphone content, and an increased likelihood of generating personal connections with the brand. "The fact that we found different results for men and women might reflect gender differences in engagement with mobile devices in general," study co-author Steven Bellman says, "but our data are unable to comment on that possibility, which we leave for further investigation."

> Independent of gender, informational apps had a higher impact on purchase intention than experiential apps.

The use of branded apps has a positive impact ... /// The study results suggest that branded apps are a highly effective form of advertising. In the laboratory setting, their use changed attitudes and intentions, and even increased interest in an entire product category. Smartphone apps seem to provide a pull marketing opportunity delivered via a platform to which consumers have strong emotional attachments. Moreover, branded apps offer the unique benefits afforded by mobile marketing communications, following consumers wherever they go while being able to be updated with the latest localized information and deals.

However, this study also suggests that the most successful type of app is the one that is the most capital-intensive to produce. Designing an informational app that consumers find useful in their daily lives is more difficult than building an experiential app by creating or adapting an interactive game: It requires developing a whole suite of tools instead of just one. Identifying, programming and testing these tools require a certain budget of time and money to ensure success.

... but will they actually be used? /// Another problem for marketers is the general success of the apps. The Apple App Store and Google Play offer a fast-growing selection of items to download. Ensuring a new branded app is noticed when there are several hundred thousand others available probably requires a separate persuasive advertising campaign. However, many of the brands in the sample appeared to be successful at advertising the availability of their apps on their corporate websites. But being downloaded is only half the battle. According to a Nielsen study in the U.S. in 2012, consumers keep more than 40 apps on their smartphones but use only a handful on a daily basis. Marketers have discovered that getting fans to download their branded app is a fairly empty exercise if the target audience never actually uses it. The next challenge for branded apps is to make them so useful that they remain on a consumer's short list and keep being used – which is more likely if the app is informational.

All these "real-world" issues highlight that this study's findings should be interpreted with caution. The main limitation of a laboratory setting is the use of forced exposure. The results include data from people who might not have been interested in any of the products advertised by the test apps. Therefore, the study results could be more conservative than they might be in the field. On the other hand, it seems challenging to motivate people to download apps for low-relevance products at all.

—

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

Bellman, Steven; Potter, Robert F.; Treleaven-Hassard, Shiree; Robinson, Jennifer A.; Varan, Duane (2011):
"The Effectiveness of Branded Mobile Phone Apps",
Journal of Interactive Marketing, Vol. 25,
Issue 4 (November), pp. 191 – 200.

THE AUTHORS

Steven Bellman,
Associate Professor, Audience Labs,
Murdoch University, Australia,
s.bellman@murdoch.edu.au

Shiree Treleaven-Hassard,
Researcher, Audience Labs,
Murdoch University, Australia

Jennifer A. Robinson,
Senior Research Fellow, Audience Labs,
Murdoch University, Australia

Duane Varan,
Executive Director, Audience Labs,
Murdoch University, Australia

Robert F. Potter,
Associate Professor,
Institute for Communication Research,
Indiana University, Bloomington, Indiana, U.S.


SHOPPING
in the city
online

Adding Bricks to Clicks: On the Role of Physical Stores in a World of Online Shopping

Jill Avery, Thomas J. Steenburgh, John Deighton and Mary Caravella

KEYWORDS

Multichannel Retailing, Channel Management, Channel Migration, Direct Marketing, E-Commerce, Retail Stores

THE AUTHORS

Jill Avery,
Harvard University,
javery@hbs.edu

Thomas J. Steenburgh,
University of Virginia,
SteenburghT@darden.virginia.edu

John Deighton,
Harvard Business School, Harvard University,
ejdeighton@hbs.edu

Mary Caravella,
University of Connecticut,
mary.caravella@business.uconn.edu

Buying a product has never been easier. Consumers can shop online, over the phone or via mail order, from home or on the go, and if they want to experience touch and feel, they can also visit a "real" store. Often, one and the same retailer offers several of these options, and multichannel retailing has become common in most product categories. By offering several channels, retailers are trying to reach more consumer segments and create synergies, with stores acting as billboards for the brand, catalogs providing enticing reminders to buy and the Internet providing an ever-present storefront.

But synergies do not arise automatically. Different channels can also cannibalize one another, and it is not always easy to predict which effects will prevail. A recent study took a closer look at the interplay among different retail channels and showed that the short-term effects of store openings can be very different from the long-term sales impact.

Analyzing the effects of store openings for a fashion and home furnishings retailer /// The researchers studied the effects of store openings of one multichannel retailer of fashion, home furnishings and high-end accessories. This retailer sold directly to consumers through catalogs and the Internet, as well as operated stores in shopping malls in some regions of the U.S. During the observation period – a timespan of nearly nine years – the retailer opened four new stores in the U.S. Two of the stores launched operations in retail trading areas previously served by only the direct channels, and two were opened in areas near a pre-existing retail store.

FIGURE 1:

Comparing sales effects across channels in areas with and without new stores

To isolate the effects of the store openings or rule out alternative explanations for sales changes, the control groups were actively composed to match the group exposed to the store opening.

FIGURE 2:
Overview effects of additional stores

	Short-term sales	Long-term sales
Catalog channel	11.9 % drop within first month	Full recovery after 79 months, continued growth thereafter
Internet channel	No drop	Growth effect of store opening five times greater than for catalogs

» Over time, both channels increasingly benefited from the presence of the new brick-and-mortar stores. «

The study documents how sales in all channels reacted to the opening of the new stores by comparing them with a control sample that matches each group on several relevant criteria (geographic, demographic, behavioral, sales and competitive variables as well as marketing activity). Online and catalog orders originating from the regions where the new stores were located were assigned to four groups. All purchasers with resident ZIP codes within a maximum of 60 minutes driving time to the nearest new store were selected.

Complementary effects outbalance channel cannibalization /// The opening of brick-and-mortar stores by this retailer had positive and negative effects, but complementary consequences clearly outbalanced sales drops in individual channels:

> In the short run, only catalog sales declined in the trading areas of the new stores. They dropped by 11.9 % on average shortly after the brick-and-mortar stores opened.

> Internet channel sales did not drop after the stores opened for business.

> Over time, both channels increasingly benefited from the presence of the new brick-and-mortar stores. Within 79 months, catalog sales recovered to the level that would have been expected had the store never opened and subsequently continued growing more than in the sample without new stores.

> The store openings had a greater positive impact on the Internet channel than on the catalog channel. Its complementary effect was approximately five times larger.

> Interestingly, areas with pre-existing stores gained more from the additional store than virgin territory. Obviously, branding effects from the two stores added up, significantly impacting brand awareness. The existence of additional stores seemed to support the brand image and accelerate growth. Research results showed that having more stores in an area can offer value for online sales as well. Store placement decisions should therefore reflect these effects in addition to calculations indicating whether an area can generate incremental sales to cover costs.

- The number of first-time customers shopping via direct channels was not immediately affected by the opening of retail stores but did increase over time. The store seemed to act as a billboard for the direct channels by attracting new customers to the retailer at a faster rate than would have been expected had the store never opened.

- There was more cannibalization from the direct channels in areas without pre-existing stores. Some customers chose to try out the brand in the store instead of the direct channels in virgin territories, taking advantage of an opportunity they did not have before. In regions with pre-existing stores, this cannibalization seemed to have had occurred when the original store first opened. Over time, however, the new stores attracted customers to the brand at a faster rate in both types of territories.

» Tracking the dynamics of store openings helps to implement the desired effects for the company and its customers. «

Integrated channel management optimizes results ///
Even though this study involved only store openings by a single retailer with a well-established brand, some general implications are applicable across the board: A stronger understanding of positive and negative cross-channel effects helps retailers to better anticipate and respond to changes in sales in existing channels when a new one is added. It is the basis for strategically managing a company's channels as a portfolio rather than as separate entities.

An ***integrated approach to customer acquisition and relationship management*** benefits all parties. Tracking the dynamics of store openings helps to implement the desired effects for the company and its customers. In the case under review, the opening of a retail store had a small impact on the rate at which first-time customers used the direct channels in the short run. Therefore, managers of direct channels should continue to invest in customer acquisition programs during the months surrounding a new store opening if the retailer finds it more profitable to serve customers in the direct channels than in stationary stores. In the long term, retail stores increase the rate at which first-time direct channel customers are acquired. Thus, prospecting materials for new direct channel customers should include a retailer's brick-and-mortar store location and should highlight cross-channel benefits, such as the ability to pick up or return items ordered online at the store.

Adding brick-and-mortar stores creates more conflict with the catalog than with the online channel. In the short run, managers of catalog channels might be entitled to some temporary relief in their revenue targets because of the store openings to ensure their cooperation. In the long run, however, managers of catalog channels should be supportive of store openings. Catalog sales recover and ultimately benefit from the branding effects of the brick-and-mortar store.

Cross-channel promotions should be considered to leverage synergies. Given that stores enhance sales in the direct channels over time, promotions that encourage customers to shop across channels should be implemented. Cooperative cross-channel marketing can improve sales in all channels or drive sales from less profitable channels to more profitable ones. For example, if catalog cannibalization is undesirable to the retailer, it can offset drops in sales by increasing direct-channel promotions in the surrounding area during the store's opening period. This may keep existing customers in the catalog channel rather than entice them to shop in the store. In this case, the store becomes a customer acquisition engine, with its promotional vehicles targeted toward new, rather than existing, customers. Once customers are won over, communication can eventually direct them to the lower-cost catalog and online channels.

Models and algorithms used to drive catalog and other direct mailings to customers should reflect cross-channel effects in their decision-support systems to avoid a counterproductive decrease in marketing support. Traditional RFM models, which recommend catalog or direct-mail drops based on the recency, frequency and monetary (RFM) value of prior transactions, might lead to the implementation of counterproductive marketing activities. Retailers may decrease catalog mailings to customers who have temporarily switched some of their purchasing to the retail store channel. Particularly in the catalog channel, this decrease in marketing support may intensify the drop in sales and prolong the onset of synergistic effects. Retailers who understand the patterns of cross-channel interaction can adjust the algorithm and reinforce synergies.

—

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

Avery, Jill; Steenburgh, Thomas J.; Deighton, John; Caravella, Mary (2012): "Adding Bricks to Clicks: Predicting the Patterns of Cross-Channel Elasticities over Time", Journal of Marketing, Vol. 76, No. 3 (May), pp. 96 – 111.


1
2
3
4
Choosing the WAY

Buying in Multiple Stores:
Shopping Strategies Beyond Price Promotions and Their Effects on Store Competition

Els Gijsbrechts, Katia Campo and Patricia Nisol

KEYWORDS

Shopping Behavior, Multiple-Store Shopping, Store Choice, Retail Formats, Spatial Competition

THE AUTHORS

Els Gijsbrechts,
Tilburg University, Tilburg, Netherlands,
e.gijsbrechts@uvt.nl

Katia Campo,
Catholic University of Leuven, Leuven, Belgium,
katia.campo@econ.kuleuven.be

Patricia Nisol,
Center for Research on Consumption and Leisure,
Namur, Belgium,
patricia.nisol@fundp.ac.be

One of the most important trends characterizing today's grocery retail business is the massive rise in multiple-store patronage. Rather than passively revisiting the same store – either out of habit or due to an aversion to change – consumers actively exploit the opportunities offered by a differentiated retail environment by visiting two or more stores on a regular basis. In fact, strictly store-loyal consumers have become the exception rather than the rule. The majority of all grocery shoppers regularly visit more than one store each week.

Grocery-store switching has typically been viewed as evidence of cherry-picking behavior, with consumers switching stores to benefit from temporary promotional offers. However, research reveals that it may also result from a longer-term planning process based on stable store characteristics.

A balance of costs and benefits /// Consumers trade off among several types of benefits and costs when making their shopping decisions. First, there are variable costs (the amount paid to acquire the products). Then there are the costs of handling and storing the products at home. The third category encompasses such fixed shopping costs as the time and effort required to go to the store, walk through the aisles and wait at the checkout. While acquisition and holding costs depend on the level of demand, transaction/fixed shopping costs are incurred – independent of the level of demand – each time a shopping trip is made.

»
Shopping patterns appear to be quite stable over time: The large majority of consumers (83 %) adhered to the same shopping routine.
«

On the benefit side, there are consumption benefits (the utility of consuming the products, which is related to the store's assortment), and fixed in-store benefits (the pleasure derived from the act of shopping, which, for instance, is enhanced by store ambience and service level).

Getting the best of both worlds /// Consumers systematically balance costs and benefits and develop three rather stable shopping patterns to optimize their grocery shopping. Consumers either visit a single store or multiple stores, either on one single shopping trip or on a combined trip (see Figure 1). A random subsample of a GfK Dutch household panel containing information about 906 households and the top 12 national grocery chains (representing four different store formats) over a one-year period revealed the following shopping and store-switching patterns: 61.9 % of the customers were multiple-store shoppers. Most of these customers (90.8 %) usually visited both stores on separate shopping trips, but a much smaller group (9.2 %) visited the different stores on the same shopping trip. These shopping patterns appear to be quite stable over time: The large majority of consumers (83 %) adhered to the same shopping routine.

An analysis of the stores' costs and benefits helps to explain these patterns. In the case of "fixed-cost complementarity," consumers alternated visits to high and low fixed-cost stores to balance transportation and holding costs against acquisition costs (e.g., because one store is closer or more pleasant to shop in). Two stores exhibited "category-preference complementarity," when one store was preferred over the other for one product category, while the other store offered better value for money (lower-weighted variable costs) for the second product category. This induced some consumers to visit both stores on combined shopping trips. But most of the multiple-store shoppers chose to systematically visit the two stores on separate trips at different times. A certain product might have been predominantly bought in the preferred store (e.g., laundry detergent where it is cheaper), but some replenishment took place upon visits to the less-preferred store (e.g., a nearby store with fresh vegetables). This approach could provide consumers the best of both worlds.

FIGURE 1:
Consumers' cost and benefit consideration and resulting shopping patterns

SINGLE-STORE SHOPPING PATTERN

SEPARATE-STORE SHOPPING PATTERN

COMBINED-STORE SHOPPING PATTERN

»
Supermarket visits
are often combined with visits
to hard discounters,
whereas combined trips to
same-format stores
tend to be exceptions.
«

The shopping patterns are not the same for all categories of grocery stores, however:

> Market shares of supermarkets and large discounters are quite similar for each of the three shopping patterns.

> Superstores, in contrast, appear to attract a much greater share of grocery spending from single-store shoppers than from multiple-store shoppers.

> The opposite pattern is observed for hard discounters, which – while unsuccessful among single-store shoppers – capture a substantially larger share of expenditures from customers who visit multiple stores on separate shopping trips and even more so on combined trips.

> Multiple-store shopping is more prominent among stores with different fixed (size/store service and atmosphere) or variable (price/quality of product assortments) shopping costs. For instance, supermarket visits are often combined with visits to hard discounters, whereas combined trips to same-format stores tend to be exceptions.

> High combination rates were found for hard and large discounters with supermarkets, as were extremely low percentages of combinations for same-format stores.

Shopping motives influence the organization of shopping trips /// Even in the absence of promotions, consumers have good reasons for shopping in multiple grocery stores. There is a link between consumer motives and the way shopping trips are organized. With fixed-cost complementarity, stores are always visited on separate shopping trips. With category-preference complementarity, consumers may also engage in combined shopping trips, and the choice between separate- versus combined-store outings presents an interesting trade-off between fixed and variable shopping costs. On the one hand, combined visits allow the consumer to save on transportation costs per trip and to purchase each product exclusively in the store where it is preferred. On the other hand, when the stores are visited on separate trips, the number of trips per store can differ and the trips to different stores can be spread over time. This allows the consumer to purchase high holding-cost categories on a more frequent basis, shifting a portion of these categories' purchases to the less-preferred store.

»
A location close to the complementary store may create an attraction effect and even provide benefits to chains, allowing them to "team up" against more remote competitors.
«

Store competition reconsidered: "Teamwork" may outmatch competition

These results have important implications for store competition. Depending on a store's characteristics relative to local competitors, different competitive strategies are recommended for retailers.

> If customers visit either one store or the other, as it is typical for retailers of the same format (e.g., large discounters or supermarkets), it is more appropriate to pursue complete loyalty among a subset of consumers (share-of-customer competition).

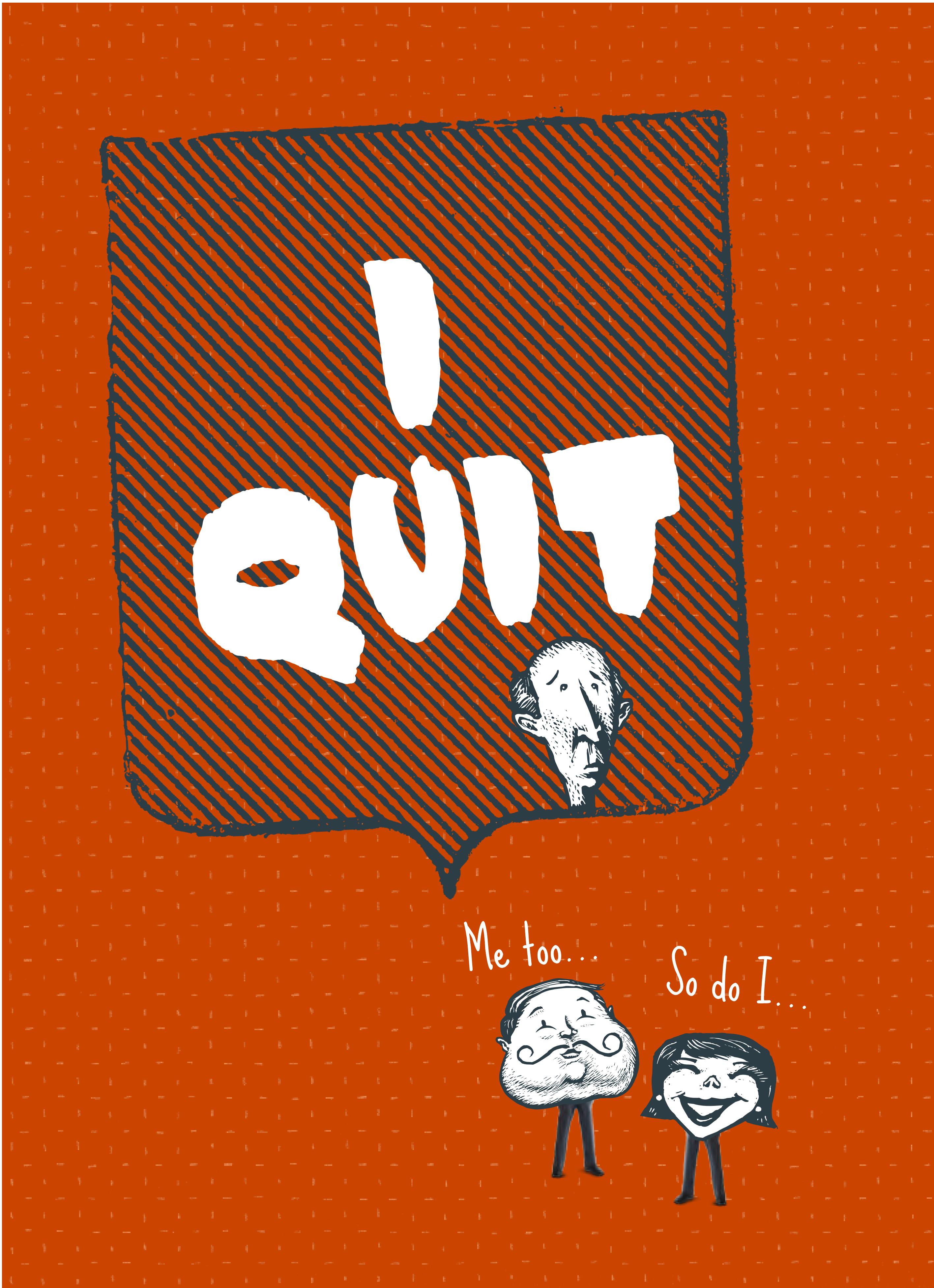
> In the presence of complementary stores (e.g., of different formats), retailers may try to maximize their share in categories where they have a relatively strong fixed- or variable-cost position ("share-of-wallet" competition). They might try to encourage consumers to buy primarily in categories that are particularly attractive in the respective format. Depending on the type of competition or complementarity, distances to the store and between the stores play an entirely different role. With fixed-cost complementarity, low fixed-cost stores typically derive their relative appeal from being closer to the customer than their competitors and hence view geographically close competition as a serious threat. This would, for instance, be the case for a supermarket faced with the entry of a large discounter in its local market.

> When stores are category-preference complements, as in the case of a supermarket and a hard discounter, a location close to the complementary store may actually have the opposite impact. By facilitating combined-store visits, the location may create an attraction effect and even provide benefits to chains, allowing them to "team up" against more remote competitors who have an appealing offer across the board.

—

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

Els Gijsbrechts, Katia Campo and Patricia Nisol (2008): "Beyond promotion-based store switching: Antecedents and patterns of systematic multiple-store shopping", International Journal of Research in Marketing, Vol. 25 (Issue 1), pp. 5 – 21.


I QUIT
Me too...
So do I...

If You Go, I Will Follow … Social Effects on the Decision to Terminate a Service

Irit Nitzan and Barak Libai

KEYWORDS

Customer Retention, Customer Churn, Churn Prevention, Social Network

THE AUTHORS

Irit Nitzan,
Assistant Professor of Marketing,
Recanati Business School,
Tel Aviv University, Tel-Aviv, Israel,
iritnitz@tau.ac.il

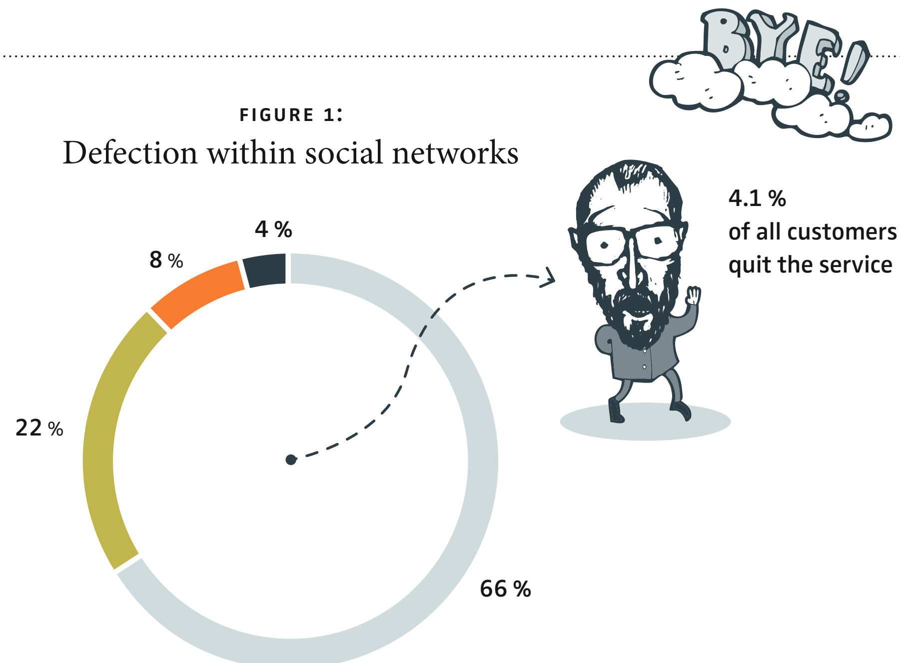
Barak Libai,
Associate Professor, Arison School of Business,
Interdisciplinary Center, Herzliya, Israel,
libai@idc.ac.il

The adoption of new behaviors or new products is often influenced by those closest to us. Whether it's new software, a vacation destination or a car – if a friend or neighbor likes it, consumers will likely be more inclined to try it for themselves and ultimately adopt it. But where does customer churn play into this? To what extent do our social interactions influence our decision to abandon a product or practice? Although retention and its drivers have attracted much research attention, few studies have focused on the role social factors play within the context of churn. In many studies, customer satisfaction and usage patterns have emerged as key elements that can explain churn, but mounting evidence suggests that attrition may also be influenced by one's peers. For example, the decision to quit smoking, to defect from military service or to quit a job is often prompted by social conditions, sometimes to a large degree.

Encouraged by such evidence, two marketing researchers conducted a large-scale analysis on customers of a cellular company, ultimately confirming that social effects are relevant to a customer's decision to end a business relationship. For this study, the researchers selected a sample of more than 1 million customers in a Mediterranean country and applied survival analysis techniques. The available data contained information on all calls and text messages sent or received by each customer over a three-month period, forming his or her social network within the provider's network. Customer churn was observed over a yearlong period during which 4.1 % of all customers canceled their service. Figure 1 shows the 1 million customers' exposure to defecting neighbors, in this yearlong period.

FIGURE 1:

Defection within social networks



neighbors = all persons in an individual's network

» Each defecting neighbor the focal customer was exposed to was associated with a 79.7 % increase in this customer's hazard of defection. «

Social aspects strongly influence defection /// "Our research showed that each defecting neighbor the focal customer was exposed to was associated with a 79.7 % increase in this customer's hazard of defection," co-author Irit Nitzan explains. "The observed effect was as pronounced as typical social effects on adoption, and even larger." This increase in what the study authors refer to as "hazard of defection" was evident even when taking into account traditional factors such as enhanced support consumption and reduced usage, which are known for their contribution to a customer's decision to defect. Including variables that reflect the defection decisions made by the network neighbors of each customer, notably improved the results in a model to predict whether the customer would churn. The researchers compared the percentage of customers predicted to defect with those who ultimately did defect, producing accurate predictions in 28.1 % of all cases. The model relying on traditional defection factors succeeded only in 20.5 % of the cases, which means that the social model increased the prediction's accuracy by 37.5 %.

Some network neighbors assert greater influence /// In addition to the actual number of network neighbor defections, other social network characteristics also affected the probability that customers would terminate their contract.

> **Hazard of defection increased with tie strength** /// The more a customer communicated with a neighbor who had terminated service (i.e., the stronger their tie), the more likely the customer was to follow in the neighbor's footsteps. A 1 % increase in a customer's average tie strength with defecting neighbors was associated with a 2.2 % increase in that customer's hazard of defection. For example, if a customer's average tie strength with a defecting neighbor was 8 %, which was roughly the average tie strength among the study's subjects, the focal customer would be 17.6 % more likely to defect.

> **Neighbors with similar characteristics had more influence** /// Referral behavior often occurs among customers who resemble one another in terms of belief systems, education and occupation. Individuals are more likely to trust the endorsements of people whose preferences they share. In this study, the researchers used gender, age, segment and socioeconomic status to compare similarity. These were translated into similarity scores that ranged from 0 (no match on any of the four characteristics) to 100 (all four characteristics matched). For this criterion, a 1 % increase in a customer's average similarity with defecting neighbors was associated with a 1 % increase in that customer's hazard of defection. For example, if a customer was exposed to the defection of a neighbor with whom he or she had one attribute in common (i.e., the pair's similarity score was 25 %), this exposure was associated with a 25 % increase in the customer's hazard of defection.

> **Customers with greater numbers of social connections were more likely to defect but had less influence on the defection of others** /// Each additional neighbor in a focal customer's local network was associated with an increase of 1.1 % in that customer's hazard of defection. A user with 10 neighbors had a 3.3 % higher hazard of defection than a user with only seven neighbors. This result resembles findings in adoption research, in which highly connected "network hubs" tend to adopt earlier. On the other hand, highly connected customers had a weaker influence than customers with fewer connections. On the other hand, highly connected customers had a weaker influence than customers with fewer connections. An increase of one additional social tie in the defecting neighbor's social network was associated with a 0.4 % decrease in the focal customer's hazard of defection.

»
Information on social influences can substantially improve the analysis of new product adoption, and the same seems to hold true for customer defection.
«

> **The effect of exposure to a defecting neighbor decreased over time** /// The effect a neighbor's defection had on a focal customer's hazard of defection was strongest within the first month. Figure 2 shows how this variable's relationship to the focal customer's decision decreased as time passed.

> **Loyal customers were less sensitive to negative comments from their defecting neighbors** /// Moreover, customer loyalty helped "immunize" customers against the negative effects of others' defection: Heavy users and long-term customers were less influenced by defecting neighbors than light users and newcomers, respectively. Figure 3 compares the hazard of defection for heavy versus light users. Similarly, customers who used the service for less than two years showed a higher defection rate than those who had entered into a contract for the service more than seven years earlier.

> **Advertising levels had no impact on customers' defection decisions** /// By measuring how much companies allocate to their advertising budgets, the researchers investigated whether advertising helped to prevent defection. They observed that advertising had little to no effect on a customer's tendency to defect.

FIGURE 2:
Hazard ratio as a function of time from the neighbor's defection

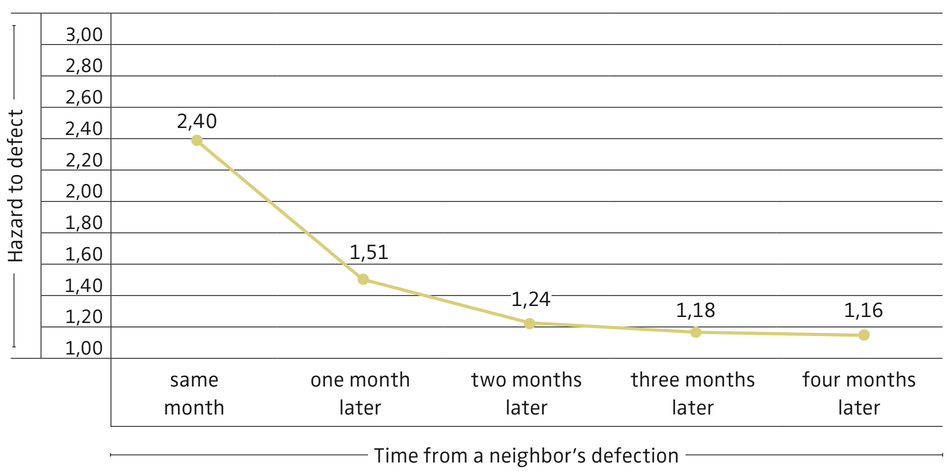
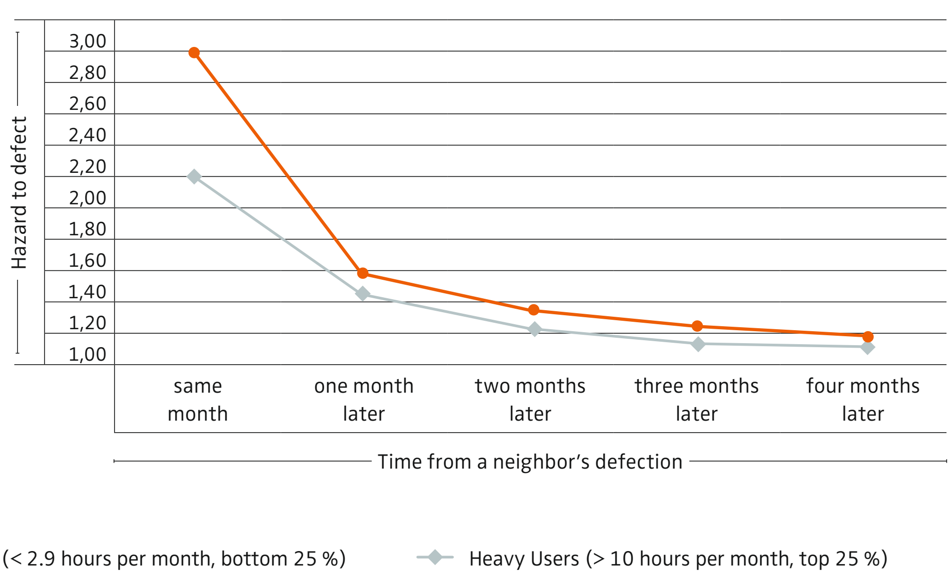


FIGURE 3:
Hazard ratio as a function of time from the neighbor's defection: Heavy versus light users



Managerial implications

- The study results show that ***companies should take customers' social networks into account*** when attempting to predict and manage customer churn. Information on social influences can substantially improve the analysis of new product adoption, and the same seems to hold true for customer defection.

- Customers' ***exposure to defectors had a relatively strong influence*** on their defection decision. Therefore, it makes sense for companies to integrate such information into their analyses, even if precise network-related information on defectors and their neighbors, such as tie strength or similarity, is not available. Simply knowing about a defection may prompt a company to act.

- Companies intending to deal with the possible social fallout of a defection should act swiftly. Much of a defector's influence on his or her neighbors occurs during the first two months after defection. Therefore, ***a managerial response to customer defections should be undertaken as soon as possible***.

- ***The possibility of counteracting customers' defection decisions with advertising appears to be limited***. Canceling service seems to be driven more by customers' own experiences and by those of their social neighbors than by advertising. Therefore, it might make more sense for a company to allocate a larger portion of its budget to more closely monitoring social variables than to retention-geared advertising. For example, satisfaction surveys have traditionally focused on the individual; however, further examination of the satisfaction of a user's friends, either by asking the focal customer or through independent surveys, might provide fruitful results for more targeted churn-preventing measures.

- While it is fairly easy to collect network data for cellular services, ***access to this type of information for other products and services is more difficult***. Managers from other industries will have to investigate whether new technologies might provide opportunities to collect more data from their customers' social networks, for example through Facebook and other social networking sites. Another possibility could be to take advantage of the emerging use of brand and online communities to better assess the relationship between social behavior and defection.

The fundamental results presented in this summary should prove relevant for understanding social effects on customer retention in general, but the magnitude of this relevance might differ across industries. "Cellular phone services are characterized by relatively high customer involvement and possible normative pressure," co-author Barak Libai explains. "Markets with these characteristics, coupled with possible price-driven network effects, are likely to be associated with relatively strong social effects on attrition." This means such effects would be weaker in markets with lower customer involvement. On the other hand, cellular services are often characterized by contractual agreements that tend to curb users' desire to leave the service, even if they are persuaded to do so by others' word of mouth. Therefore lower switching costs in other markets may be associated with greater social effects on the retention decision.

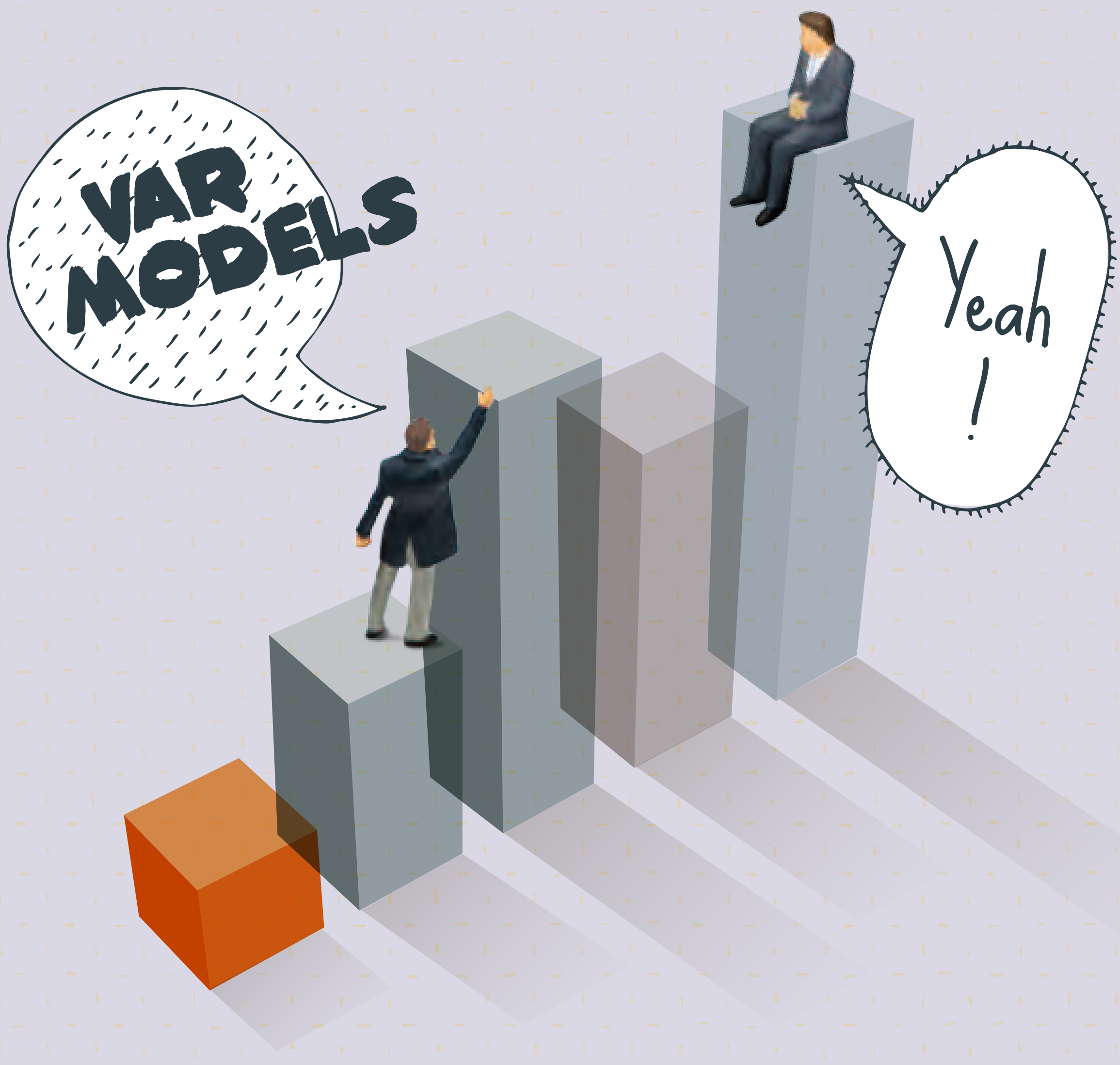
—

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

Nitzan, Irit; Libai, Barak (2011): "Social Effects on Customer Retention", Journal of Marketing, Vol. 75, No. 6, pp. 24 – 38.

Identifying Metrics That Matter: What Are the Real Key Performance Indicators (KPIs) That Drive Consumer Behavior?

Martin R. Lautman and Koen Pauwels



KEYWORDS

KPIs, Consumer Behavior, Marketing Controlling, VAR Models

THE AUTHORS

Martin R. Lautman,
Lecturer, Marketing Departments
at The Wharton School
of the University of Pennsylvania,
and The Smeal School of Business
at Penn State University, USA,
MLaut@wharton.upenn.edu

Koen Pauwels,
Professor of Marketing at Ozyegin University,
Istanbul, Turkey,
koen.pauwels@ozyegin.edu.tr

What is important to consumers? /// A significant body of consumer research is devoted to answering the deceptively simple, yet highly elusive question of "Why did a customer or prospect do what he or she did?" or, taking it one step further, "Why is a customer or prospect intending to engage in some future action?" In the search for answers, market researchers typically investigate consumer attitudes, beliefs and opinions, or underlying needs and wants, and seek to relate those insights to reported past or future consumer behavior. These findings then assist companies in understanding and, ultimately, in forecasting expected future consumer responses to various marketing initiatives.

The difference between being important and driving sales /// To determine the importance of attributes, benefits or claims (ABCs) and thereby identify KPIs, it is common for market researchers to use either open-ended questions or ratings and rankings. More sophisticated statistical methods of inferring the importance of each ABC include correlation, regression and conjoint techniques. However, such traditional techniques do not establish whether a metric actually ***drives*** sales. They claim to identify and quantify what is important to the consumer from data typically collected at a single point in time and thereby can leave market research analysts "fooled by association." At its essence, correlation does not equal causation.

Using VAR models to identify true sales drivers or brand health indicators /// The only way to demonstrate likely causality is through experimental design or by collecting multiple measurements over time and applying time-based analytic techniques to that data. For most companies, the latter option will be the most practical. Through repeated measurement over time, cause and effect associations can be analyzed using ***vector autoregression (VAR)***, a form of econometric modeling that is receiving increased attention in marketing research applications. A VAR model is a system of equations in which multiple variables evolve over time, interact with one another and influence such defined success measures as sales, market share and customer retention. Candidate KPIs from management experience or traditional techniques go into the VAR model, which then provides evidence on which metrics drive performance and thereby deserve the designation as metrics that matter (MTMs). A VAR model is structured to attribute performance lifts (and declines) correctly across drivers and over time, differentiating between immediate and dynamic effects, and between direct and indirect influence. For instance, television advertising can both directly lift sales over several weeks and stimulate social media conversations, which in turn can drive sales for months to come. When available, consumer actions (e.g., search, click-through, website page views, likes, postings) are

»
What emerges from a VAR analysis are measures that have been empirically demonstrated to drive sales and / or market shares over a defined time period within a real competitive landscape.
«

included with competitive and market environment variables in VAR models to demonstrate how consumers respond to changing market conditions, competitive activity and marketing initiatives. What emerges from a VAR analysis are MTMs that have been empirically demonstrated to drive sales and/or market shares over a defined time period within a real competitive landscape. Figure 1 shows how different market research input ultimately generates MTMs.

Rigorous and continuous tracking of what drives market share and sales can provide marketers with a competitive advantage for planning marketing initiatives. The authors present multiple examples from ongoing brand-health tracking programs to demonstrate how VAR models identify the consumer metrics that have the greatest impact on sales and market share. In each case, they show how the information from such analyses gives clearer and more unambiguous direction for optimal marketing resource allocation than any other traditional approach.

In a study of ***personal hygiene products***, the analysis showed that promotion awareness had nearly 10 times the impact on base sales than any of the other KPIs. This MTM did not emerge as statistically significant in a traditional derived importance analysis. In addition, the VAR analysis showed which type of user imagery was most effective and should be emphasized in future promotions.

{ Box 1 }

HOW VAR MODELS WORK

Vector autoregression techniques model the interdependencies among multiple time series for more than one evolving variable (e.g., for sales and single instruments within the marketing mix). They combine the benefits of cause and effect in modern econometric models with the time series benefits of traditional autoregression (AR) models that are restricted to one single variable. In VAR analysis, each variable has an equation explaining its evolution on the basis of its own lags and the lags of the other model variables. By using this method, the same metric can be a dependent variable in one equation (e.g., explaining social media by TV ads and other drivers) and the independent variable in another equation (e.g., explaining sales by social media and other drivers). A precondition for conducting VAR analysis is the availability of time series data.

Theory and experience help inform researchers' decisions on which candidate metrics to include in VAR models, but no assumptions are needed on the relationship of the variables or their time dimensions (e.g., wear-in and wear-out of effects). In this respect, VAR analyses differ from most structural equation modeling, which is driven by theoretically founded assumptions with respect to variable interactions.

VAR modeling...

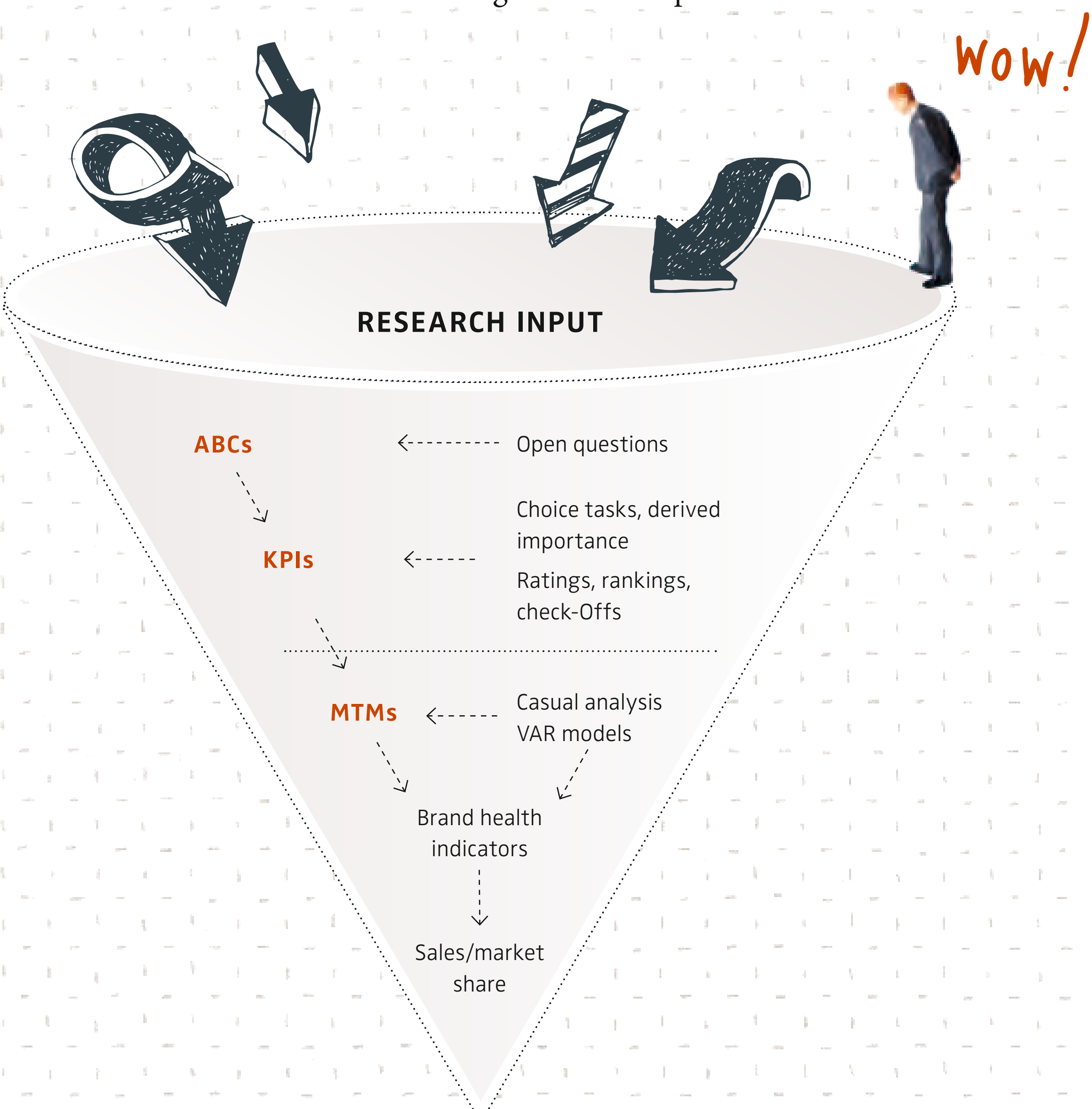
> filters MTMs from a whole set of potentially relevant ABCs and KPIs

> quantifies the sales impact of each MTM

> identifies which MTMs drive different aspects of sales (base, incremental and TV advertising-driven sales)

> observes lead and lag effects that cannot be tracked when measurement is done at a single point in time

FIGURE 1:
Funnel of marketing research output



ABCs = attributes, benefits or claims
KPI = key performance indicator
MTMs = metrics that matter

Modeling of three years of sales data on a ***snack product*** showed which indicators caused immediate or lagged effects. Short-term sales turned out to be driven more by product/brand features whereas total sales were driven more by occasions of use – not an unexpected finding in what is generally considered to be an impulse-driven category. Product satisfaction, a KPI widely considered to drive snack product consumption, was identified as an MTM, having both short- and long-term effects. Overall satisfaction had the directionally strongest relationship with purchase interest and the significantly strongest with overall liking.

An application in the ***over-the-counter (OTC) drug category*** showed how symptom appropriateness (a well-accepted driver of brand selection in the pharmaceutical industry) impacted sales. Derived importance analyses, with purchase intent, liking and satisfaction as the dependent variables, did not show statistically significant differences between the 10 symptoms and therefore did not provide a clear road map for setting symptom priorities for future marketing communication efforts. All symptoms were observed to be essentially equivalent, with each accounting for between 9 % and 13 % of the ''importance'' variance.

Figure 2 shows the results of VAR modeling that parsed out the effects of total unit sales and advertising-driven incremental sales for this drug. It shows the impact on average four-week unit sales, on total unit sales and on incremental sales solely due to advertising.

A clear MTM priority was apparent. Improvement in perceived effectiveness in alleviating migraine headaches, muscle aches and backaches was shown to have a greater effect on sales than relief for general aches and pains, regular headaches, cold or flu symptoms and, especially, general strains and sprains. In terms of sales directly associated with advertising, relief was less differentiated but was related to higher ratings on appropriateness for joint pain and stiffness, general aches and pains, and muscle pain.

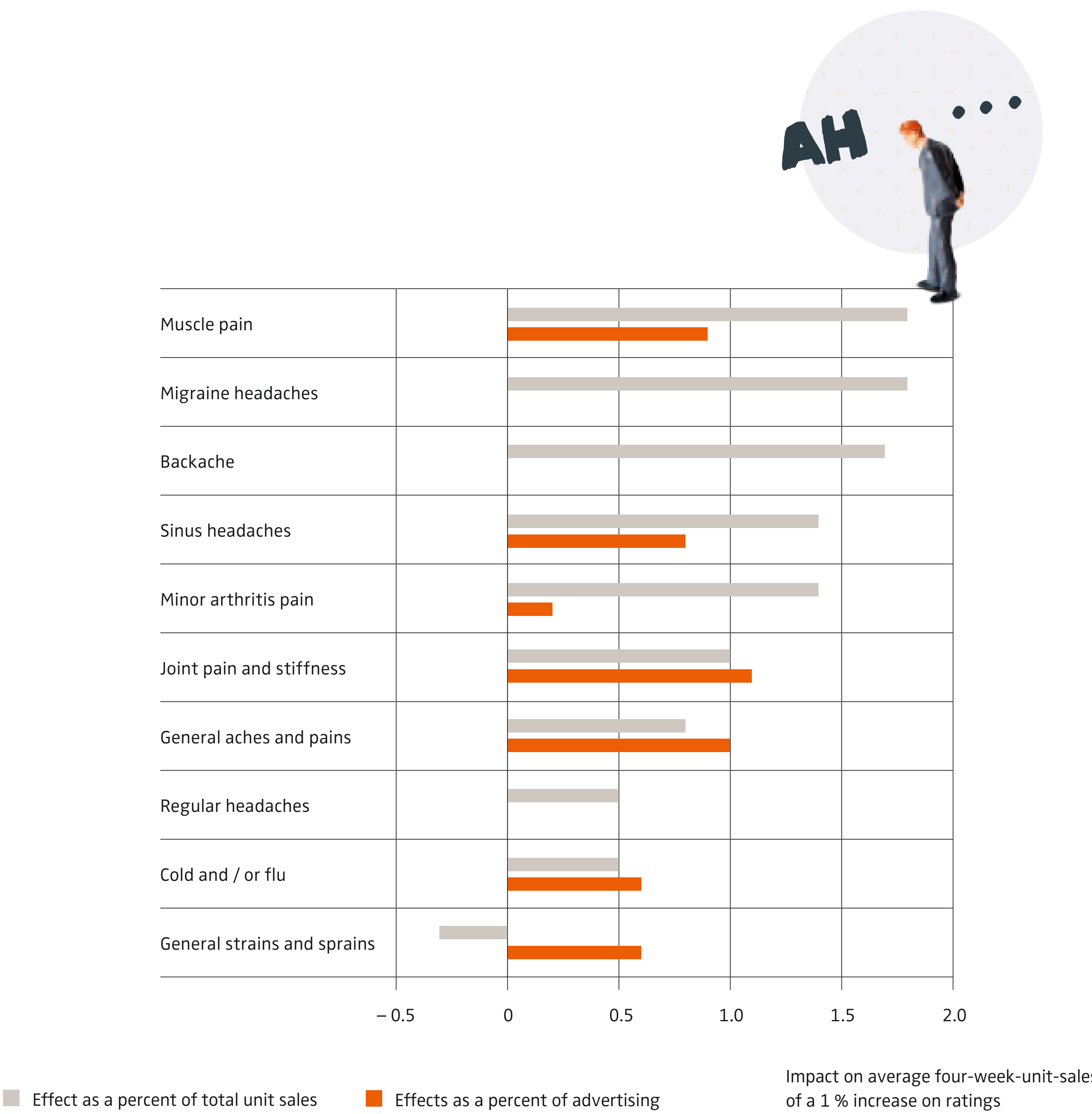
»
VAR modeling enables marketers to focus marketing initiatives on those MTMs that promise the highest returns.
«

How managers benefit from VAR-analysis

> **Leveraging marketing initiatives to optimize sales** /// VAR modeling enables marketers to focus marketing initiatives on those MTMs that promise the highest returns. The partitioning of sales effects in the model helps to allocate marketing and promotion budgets most effectively. Using the VAR results, managers can further implement a formal return on marketing investment (ROMI) analysis to drive resource allocation decisions.

> **Analyzing effects at the competitive brand and line-extension level** /// Competitive brands can also be modeled. This usage of VAR models can directly address how well different brands meet MTM standards. Line extensions can also be independently evaluated with the goal of identifying MTMs that can facilitate parent brand differentiation and portfolio optimization. Private-label and store-brand products can be modeled either aggregately or individually, allowing researchers to observe the existence of any interactions. ''In the snack study we found an unexpected sales lift for private-label products because of positive spillover effects from the marketing initiatives for a leading, branded snack product,'' co-author Martin Lautman notes.

FIGURE 2:
Brand attribution symptom appropriateness



»
Even slow-moving signals can be monitored in a long-term tracking program, and their influence, even if only gradual, can be detected.
«

The VAR analysis can also check whether the same MTMs that drive a category also fuel the sales of each of the brands in that category. "The increasing proliferation of alternative product options, multiple need states and alternative distribution channels have all led to somewhat fuzzy categories and competitive sets. VAR models are able to identify alternative drivers for different brands," co-author Koen Pauwels explains.

> **Observing effects over time** /// Assessments of importance at a single point in time cannot take into account lead or lagged effects. Moreover, theory almost never specifies ***when*** expected effects are supposed to materialize. Finally, asking consumers what drives their decisions assumes these consumers are able and willing to recall and verbalize what influences their behavior. For instance, "promotion" and "advertising" awareness have consistently been shown to drive future sales in VAR models across many categories but are typically not mentioned at all by consumers.

It is reasonable to assume that the relative importance of MTMs for a brand will vary as it evolves over time. This would suggest that consideration should be given to updating VAR analysis on a regular schedule reflective of a brand's evolution and changes in its competitive set. "Even slow-moving signals, particularly those directly related to a brand experience, can be monitored in a long-term tracking program, and their influence, even if only gradual, can be detected," the authors explain.

> **Measures of advertising effectiveness can be included** /// Another advantage of this type of modeling is the possibility of including metrics for advertising and promotion effectiveness (awareness). VAR analyses can assess their sales impact relative to other metrics of brand health if they are all incorporated into a single brand health survey instrument. Consumer recognition and recall of actual advertising, promotions and even a core positioning can be included in the VAR analysis. This helps companies set spending and message priorities. VAR models can confirm copy testing results by determining whether the messages with the greatest sales impact are also generating the most consumer registration and the greatest payback in a pretest. In a VAR approach, the impact of brand and user-oriented imagery and emotional MTMs can be compared directly with the sales impact of more product- and feature-based MTMs. In a number of analyses documented in this study, emotional MTMs were found to be much more influential than product-based MTMs in driving sales.

—

Managerial summary of an article published in the top academic journal "Journal of Advertising Research":

Lautman, Martin R.; Pauwels, Koen (2009): "What is important? Identifying metrics that matter", Journal of Advertising Research, Vol. 49, No. 3, pp. 339 – 359.

New!

MIR FORUM

In our section, "*MIR Forum*", we build a bridge between the research article on page 24 and marketing practice. Managers from successful companies discuss the relevance of the findings on branded apps and report on their own activities in this field.

Marc Lengning

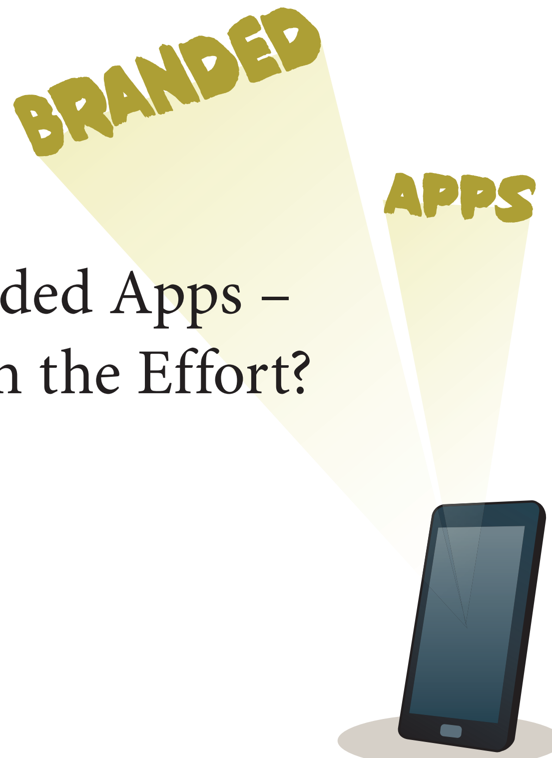
oversees Marketing & Sales for DriveNow, the joint car-sharing venture operated by the BMW Group and Sixt. The college-educated engineer has been with the BMW Group since 1998 and has held various positions in R&D and marketing in Germany and the U.S. Before joining DriveNow, Lengning served as Head of MINI Community & Social Media Marketing. DriveNow was founded in 2011 in Munich, Germany. Its services are currently available in Munich, Berlin, Düsseldorf, Cologne and San Francisco. The company's fleet only comprises the brands BMW and MINI, and some of the available models are e-cars. In Germany, DriveNow offers free-floating car sharing, allowing premium cars to be collected and dropped at any place within the same city. Thanks to its modern concept of mobility, DriveNow has experienced rapid growth and now already serves more than 130,000 customers.

Thomas Lukowsky

has been with Allianz Deutschland since 2008 and currently serves as its Director of Market Management. He studied business administration at WHU Koblenz and has worked in sales and online marketing for such companies as P&G, McKinsey and Co. and Arcor. Allianz Deutschland is part of the international Allianz Group and offers a comprehensive range of insurance and asset-management products and services to its clients. Founded in 1890, the company now serves around 20 million customers and generates revenues totaling €28 billion.

Ingo Schäfer

started his career in 1999 at PUBLICIS, where he spent 10 years working for several large FMCG clients, such as P&G and Nestlé. In 2010, he took on the position as Head of Marketing Communication & PR at Nestlé/Maggi. Since then, he has contributed significantly to modernizing the Maggi brand as well as strengthening its digital presence. Nestlé is the world's leading nutrition, health and wellness company, boasting a wide product range comprising water, coffee, baby food, ice cream, confectionery and culinary items. Maggi has been part of German cooking culture for more than 125 years and continues to be Germany's leading brand for culinary products and services.



Branded Apps – Worth the Effort?

Being online whenever and wherever is quite natural for an increasing number of consumers. Companies are trying to tap this trend with different offers. Branded apps are one of the newer tools used to communicate with consumers on the go. But what exactly can these apps offer to consumers? And are they really worth the effort? We asked three marketing experts about their experiences.

MIR: How long have you been using branded apps in your communications mix?

MARC LENGNING: Right from our start in 2011. In addition to playing an essential role in our communications mix, the DriveNow app also serves as a digital car key. DriveNow customers use the app to find cars nearby and to reserve them. The combination of smartphone and app is a key enabler for our innovative new way of car sharing. This combination was one of the reasons why we won a Global Mobile Award in the category 'Best Mobile Product or Service for Automotive' in Barcelona.

THOMAS LUKOWSKY: We offer some Allianz apps for IOS and Android and started offering our first apps in 2009. One app offers financial information and online banking applications. Another app offers worldwide weather forecasts and personalized severe weather warnings.

INGO SCHÄFER: Maggi began experimenting with mobile apps as early as 2009. After starting out with two simple gaming apps (egg timer and balancing an egg), Maggi launched a Maggi Kochstudio recipe app in 2010 with full access to Maggi's recipe database comprising over 8,000 recipes.

»

MIR: What expectations and objectives do you have for branded apps?

MARC LENGNING: First of all, we wanted the app to be a crucial component in using DriveNow. Secondly, we wanted it to be the center of communication between DriveNow and existing users. Thirdly, we are increasingly leveraging the app to create awareness for the service and to inform prospective customers about DriveNow as well as to allow new customers to sign up for the service with the app. Interconnection with other communication channels in all cases is a key to success.

THOMAS LUKOWSKY: Our branded apps are mobile extensions of our online services. Their primary purpose is to offer additional service to our customers. Brand communication via apps is of secondary importance.

INGO SCHÄFER: To us, mobile apps are a type of loyalty tool that provides services on top of the actual product delivery.

MIR: Do you believe that branded apps will be an important communications tool in future?

MARC LENGNING: In the case of mobile products, such as DriveNow, absolutely. Most people become aware of DriveNow when they see the cars on the street. Hence, the first touchpoint is the car. With the mobile app, people can sign up for the service right at the first touchpoint (the car) and later use the app to reserve cars. The app will always play an important role in the communication of DriveNow due to the nature of the service.

THOMAS LUKOWSKY: It is not always clear whether apps are in fact more useful than mobile websites. From our perspective, apps tend to provide additional value if they use the hardware's other mobile functions, such as GPS or other location-based information. Otherwise you have to balance the better scope of app design against the challenge of raising awareness for them in the app stores.

INGO SCHÄFER: Mobile communication will be important. Whether we will still have apps or mobile websites or both in parallel is still open.

MIR: The authors of our article on branded apps on page 24 distinguish between informational and experiential apps. Which app type did you choose?

MARC LENGNING: DriveNow uses an informational app. But I think both informational and experiential apps can be successful in the future. I believe that apps need to take the "on-the-go" aspect into account. If the apps add value to mobile use, they will be successful.

THOMAS LUKOWSKY: The apps we offer are informational. We focus on real added value and relevance for our customers. Gimmicks don't work. Our most recent app "Allianz Weather-Safe" provides local weather alerts. This safety aspect has a close connection to our insurance products.

INGO SCHÄFER: The Maggi Kochstudio recipe app is clearly informational. For Maggi, service offers related to recipes and cooking advice are at the center of the brand. That's why we chose this format for the app as well.

MIR: The authors further observe that acceptance differs across target groups. What are your experiences in this respect?

MARC LENGNING: The DriveNow target group is highly tech savvy: 75 % of all our customers use the app to reserve a car and 80 % of DriveNow customers come from modern milieus. The acceptance of mobile apps is extremely high in modern milieus.

THOMAS LUKOWSKY: Consumers who use the app have a high affinity for the Internet. But most of all, the content is perceived to be highly relevant.

INGO SCHÄFER: As with all communication, app usage depends on its relevance for a chosen target. Our app focuses on female household leaders. Currently, the app has 40,000 to 50,000 visits a month, which shows there is definitely room for improvement when you consider that there are over 1,000 recipe requests on Google every minute.

MIR: How do you create awareness for the app and stimulate downloads and use?

MARC LENGNING: We promote the app on all of our communication channels. We also create awareness for the app via search-engine marketing, Facebook ads and mobile ads.

THOMAS LUKOWSKY: We offer the apps in our online customer portal "Meine Allianz." Of course we also offer the apps via app stores, but we do no additional advertising for our apps apart from our communication within the customer portal or other internal media.

INGO SCHÄFER: We mention the app in our own media, such as printed brochures, and on our website but do not provide additional support.

MIR: Do you personally use branded apps?

MARC LENGNING: DriveNow is of course one of my favorites. But other apps that solve problems while I'm on the go are also relevant for me. One category of branded apps that I use regularly are travel apps, such as Lufthansa, airberlin or Airbnb. Besides that, I personally enjoy using entertaining photo apps like the LEGO Photo app.

»
Apps tend to provide additional value if they use the hardware's other mobile functions, such as GPS or other location-based information.
«

INGO SCHÄFER: Privately, I use Facebook as well as news and entertainment apps, such as the Spiegel or ARD apps, but no apps from any other FMCG manufacturer.

MIR: And finally: What's your overall verdict on branded apps? Are they worth the effort?

MARC LENGNING: Definitely yes. As long as they create added value for mobile use, you can use branded apps for both shaping your brand and driving up your sales. That's why we continue to develop our app by adding more features that help people who are on the move.

THOMAS LUKOWSKY: Branded apps make sense if (1) they provide superior value over mobile websites and (2) they offer relevant services to customers. Then, they are worth the effort. We will keep using branded apps at Allianz.

INGO SCHÄFER: Mobile presence is a must, but the costs of developing and maintaining apps are quite high. Input and output still has to be better understood. App design and usage depends on the specific category mechanics. There is no one-size-fits-all solution.

Executive Summaries

Positive, Negative or Not at All? What Drives Consumers to Post (Accurate) Product Reviews?

Wendy W. Moe and David A. Schweidel

Online consumer reviews are a convenient, valuable pool of information for potential buyers as well as for marketers. But how reliable is this information? A closer look at the motives behind posted product reviews shows that online opinions should indeed be interpreted with care.

The study results reveal that the composition of the customer base can exert a substantial influence on the posted online opinion. Due to selection bias and adjustment effects over time, the content posted may not necessarily reflect the customer base's overall opinion of the product. Individuals were more likely to submit ratings when they were either very satisfied or not satisfied. In addition, consumers were more likely to post an opinion when the ratings already posted were more positive. Highly engaged consumers who frequently post their opinions tend to be more negative than less-engaged individuals.

Even though decision-makers can gain valuable insights from the analysis of this pool of information, they should not rely on this source exclusively.

page 8

User-Generated Content and Stock Performance: Does Online Chatter Matter?

Seshadri Tirunillai and Gerard J. Tellis

Online chatter can strongly affect companies by boosting or slowing down sales of commented products, and user-generated content even affects stock prices. An analysis of almost 350,000 consumer reviews and product ratings for 15 brands on popular websites showed some interesting effects: Having a higher volume of user comments, regardless of their assessment, was a strong indication of an increase in stock prices. The researchers also found negative reviews had a stronger impact than positive reviews. According to the results, negative chatter could erode about $1.4 million from the average market capitalization over the short term and $3.3 million over the 15 days after it appeared.

To better estimate the dollar value of the findings, the researchers calculated possible profits for an initial investment of $100 million. They either sold or bought stock on a daily basis depending on the prevailing valence of the chatter from the previous day. The overall gains using this strategy yielded an average annual profit of $7.9 million over the four years in the sample. With this result, the researchers beat the Standard & Poor's 500 index by 8 % by buying stock on positive chatter and short-selling it after negative chatter.

page 13

Designing Viral Product Features for Broader Reach

Sinan Aral and Dylan Walker

Companies increasingly rely on "network" and "viral" marketing within their communication strategies. This study showed that providing viral products with specific features can increase their diffusion substantially. Products that were enabled to send automated notifications within a user's local Facebook network upon adoption generated a 450 % higher adoption rate among Facebook friends compared with products without any viral features. Products that enabled adopters to send personal invitations to install the app generated an increase in the adoption rate by friends by 750 % more than in the control group.

Although each personalized referral had a much stronger impact, notifications outperformed invitations in overall adoption. Automated notifications require no effort, and therefore substantially more messages were generated. The number of users who took the effort to send out personalized invitations was much smaller. A simulation of adoption beyond immediate individual networks showed that the passive-broadcast app experienced a 246 % increase in the rate of adoption, whereas adding active-personalized viral messaging capabilities generated only an additional 98 % increase, compared with the group without viral features.

page 18

Brand Communication with Branded Smartphone Apps: First Insights on Possibilities and Limits

MIR summary

Branded apps represent a new possibility for enhancing brand image and service satisfaction. Compared with other forms of advertising, branded apps are welcomed as useful. Consumers are often more engaged with such apps, and therefore their users tend to process brand-related information more deeply and for a longer time than during passive consumption of other media. Research confirmed that app interaction consistently improved brand attitude, purchase intention and involvement in the respective product category. Remarkably, not only the brand itself, but the general interest for the whole category, was positively affected.

Even though the results are promising, there are some "real-world" issues that might limit the branded app's success. First, it is becoming increasingly challenging for companies to ensure a new app is noticed when there are several hundred thousand others available. Second, to actually be used by consumers on a regular basis, the apps need to provide real benefits.

page 24 & 53 *(Forum)*

Executive Summaries

Adding Bricks to Clicks: On the Role of Physical Stores in a World of Online Shopping

Jill Avery, Thomas J. Steenburgh, John Deighton and Mary Caravella

E-commerce is gaining ground and leaving the role of traditional brick-and-mortar stores open to question. With this in mind, a team of researchers performed a case study to determine what effects the store openings of one multichannel retailer of fashion, home furnishings and high-end accessories would have on its catalog and online sales.

The opening of brick-and-mortar stores had positive and negative effects for the retailer, but complementary consequences clearly outweighed sales drops in individual channels: In the short term, only catalog sales declined slightly. But over time, both the catalog and online channels increasingly benefited from the presence of the new brick-and-mortar stores. Within 79 months, catalog sales recovered to a level that would have been expected had the store never opened and subsequently continued growing more than in a sample without new stores.

An enhanced understanding of both positive and negative cross-channel effects helps retailers better anticipate and respond to changes in sales in existing channels when a new one is added. It is the basis for strategically managing a company's channels as a portfolio rather than as separate entities.

page 28

Buying in Multiple Stores: Shopping Strategies Beyond Price Promotions and Their Effects on Store Competition

Els Gijsbrechts, Katia Campo and Patricia Nisol

Grocery-store switching has typically been viewed as evidence of cherry-picking behavior, with consumers switching stores to benefit from temporary promotional offers. However, research reveals that it may also result from a longer-term planning process based on stable store characteristics.

Even in the absence of promotions, consumers have good reasons for shopping in multiple grocery stores. There is a link between consumer motives and the way shopping trips are organized. Some consumers visit different stores on separate shopping trips, while others visit multiple stores on combined trips depending on individual cost and benefit considerations. On the one hand, combined visits allow the consumer to save on transportation costs per trip and to purchase each product exclusively in the store where it is preferred. On the other hand, when the stores are visited on separate trips, the number of trips per store can differ and the trips to different stores can be spread over time. This allows the consumer to purchase high holding-cost categories on a more frequent basis, shifting some portion of these categories' purchases to the less-preferred store.

Depending on a store's characteristics relative to local competitors, different competitive strategies are recommended for retailers.

page 34

If You Go, I Will Follow… Social Effects on the Decision to Terminate a Service

Irit Nitzan and Barack Libai

The adoption of new behaviors or new products is often influenced by those closest to us, but customer churn is influenced by social factors as well. An analysis of 1 million customers of a cellular company showed that customers were 79.7 % more likely to defect for each time one of their social neighbors defected. The more a customer communicated with a neighbor and the more characteristics they shared, such as age, gender or status, the more likely the customer was to follow the neighbor in canceling the service. The effect of a neighbor's defection on a focal customer's hazard of defection was strongest within the first month and decreased over time.

The study shows that companies should take customers' social networks into account when attempting to predict and manage customer churn. Network-related information can substantially improve analysis of new product adoption, and the same seems true for the field of customer defection.

page 40

Identifying Metrics That Matter: What Are the Real Key Performance Indicators (KPIs) That Drive Consumer Behavior?

Martin R. Lautman and Koen Pauwels

Vector autoregression (VAR) is a form of econometric modeling that is receiving increased attention in marketing research applications. It is used to observe whether potentially relevant indicators have a real impact on sales or success factors. Compared with correlation, regression and conjoint techniques, VAR models are superior because they are able to show the impact of changes over time on the basis of real business data.

The research shows how VAR models are applied in different marketing settings. VAR models can filter relevant metrics from a whole set of potentially relevant performance indicators and quantify the sales impact of each variable. They further observe lead and lag effects that cannot be tracked when measurement is conducted at a single point in time. Modeling can be performed on competitive brands as well. VAR models also make it possible to test whether the same success factors that drive a category also drive the sales of each of the brands in that category.

page 46

Next Issue Preview

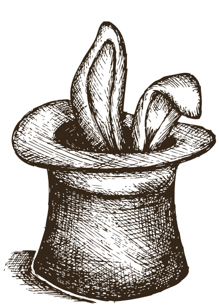
Andrea Groeppel-Klein:
Emotions in Marketing

Susan Fournier:
Breaking Up is Hard to Do:
The Ups and Downs in "Divorcing" Brands

Andrea Hemetsberger:
There's No Passion, I Need Passion:
Why Some Brands Excite Consumers So Much

Michel Tuan Pham:
Feels Right … Go ahead?
When to trust your feelings in judgments and decisions

Maggie Geuens, Patrick De Pelsmacker and Michel T. Pham:
Do Pleasant Emotional Ads Make Consumers
Like Your Brand More?



GfK MIR Vol. 6, No. 1, 2014 is forthcoming in May 2014

Imprint

The GfK Marketing Intelligence Review© (GfK MIR) is a Marketing magazine directed at managers and market research professionals who are interested in new insight and methods of Academic Marketing Research. It is published biannually.

Whilst every effort is made to ensure that the information in this magazine is correct, GfK e.V. does not accept liability for any inaccuracies that GfK Marketing Intelligence Review might contain. The views expressed in this publication are not necessarily those of GfK e.V.

GfK VEREIN

The GfK Verein was established in 1934, primarily to "allow the voice of the consumer to be heard". Consequently, the purpose of the Verein since its inception has been to promote market research.

Today, the GfK Verein is a market research think tank acknowledged by those in both scientific circles and engaged in practical application. Its remit as a not-for-profit organization is to create and pass on knowledge.

•

PUBLISHER

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

•

DESIGN & ART DIRECTION

Scheufele Hesse Eigler
Kommunikationsagentur GmbH

•

PRINT

Druckerei Eugen Seubert GmbH,
Nuremberg

•

SUBSCRIPTIONS

75 € per annum

•

ISSN 1865-5866

8 STUDIES