INSIDE: ADDRESSING ISSUES AT THE INTERSECTION OF MARKETING & SOCIETY

QUARTERLY

Marketing News

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Nudge Nudge Wink Wink

How Choice Architecture Facilitates Consumer Uptake of Mobile Apps

BY CRYSTAL REECK, NATHANIEL A. POSNER, KELLEN MRKVA AND ERIC J. JOHNSON

Companies spend over $75 billion annually on advertisements designed to increase app downloads on smartphones. This is not surprising given that over 3.5 billion people worldwide use smartphones and over 200 billion apps are downloaded each year. In addition to advertising, companies use promotions or other incentives to motivate consumers to install their apps and enable their features.

Changing how smartphone users interact with apps can have considerable effects on companies' bottom lines. A prime example is Apple's recent opt-in policy that requires apps to ask permission before tracking or sharing user activity across other apps. This change caused the percentage of users who allow tracking to plummet and resulted in lost income for app developers that rely on data tracking, like Facebook, which lost over $12 billion after this policy change.

App adoption can influence a range of outcomes. For example, the launch of a news app can increase visits to the corresponding news website, and adoption of a physical activity app can cause greater levels of physical activity. Features like in-app purchases and premium upgrades can provide direct revenue for firms while also making money from acquiring email addresses, location tracking, or other user data. In some cases, enabling app features is also necessary for an app to function properly. For

App adoption can influence a range of outcomes. For example, the launch of a news app can increase visits to the corresponding news website, and adoption of a physical activity app can cause greater levels of physical activity.

example, digital contact tracing apps often entail three key features (e.g., exposure notification, exposure logging, and Bluetooth), and these apps don't function properly when users don't enable any one of these features.

How can managers encourage more consumers to fully adopt an app and its key features? In a new *Journal of Marketing* study, we examine how app design changes influence adoption of app features and explore how managers can facilitate this adoption. Across seven experiments, our research team shows that several inexpensive techniques can make users more likely to enable important app features and complete app onboarding.

We test these "nudges" in multiple contexts, including experiments that focus on digital contact tracing apps (developed and widely deployed during the COVID-19 pandemic) with a smartphone interface mimicking actual presentations. Because managers and app developers often want to make the funnel smoother from downloading an app to fully enabling the app, we examine three techniques that could help accomplish this goal and explain the mechanisms underlying their influence on digital consumer behavior.

- Integrating multiple feature decisions into a single choice rather than separating them increases adoption. This finding is consistent with the notion that presenting separate decisions leads people to focus on the attendant risks, thereby diminishing the likelihood of installing the app.

- Changing colors to match those commonly found in current digital interfaces appears to increase adoption. For example, since blue is commonly used for "continue" buttons, users are more likely to select blue than grey buttons during installation.

- Wording options as if they will be enacted (saying "continue" as opposed to "continue without enabling") makes people more likely to accept the feature during installation.

Small Changes, Large Effects

Our discussions with app developers, user experience teams, and other industry experts indicate that failure to enable app features is a major problem. Numerous apps have critical features such as location tracking and other privacy features that users must enable by making several choices. Other consumer behaviors, such as accepting cookies on websites, initiating subscriptions, or signing up for vaccinations, also involve many steps and choices that could be integrated to increase uptake. The effects of these small changes can influence many types of decisions, with implications for consumer privacy and customer relationship management as well as regulation.

We examine these effects across different app types, including COVID-19 exposure notification apps, health and fitness apps, and employment search contexts. We use these contexts for three main reasons:

- They represent situations where the interests of the firm and consumer are largely aligned, in that both parties would benefit from the app's installation.

- The exposure notification software is timely and relevant to multiple stakeholders during the COVID-19 pandemic.

- These are contexts in which installation would benefit not only the firm or consumer but society as a whole.

Our research comes at a time when practices that shape digital consumer behavior are gathering more interest. For example, the Federal Trade Commission has issued new guidance that subscription sign-ups must be transparent and easy to cancel to address complaints of "sludge" – cases where designs are intended to exploit consumers. Government agencies in the United States and Europe are documenting cases where digital practices encourage behavior that may harm consumers or make it much more difficult to make one choice than another (e.g., enabling versus disabling cookies). Our research documents the effectiveness of adopting different choices to guide digital consumer behavior and clarifies the underlying psychological mechanisms. **MN**

Crystal Reeck is Assistant Professor, Temple University, USA.

READ THE FULL ARTICLE
Crystal Reeck, Nathaniel A. Posner, Kellen Mrkva, and Eric J. Johnson, "Nudging App Adoption: Choice Architecture Facilitates Consumer Uptake of Mobile Apps," *Journal of Marketing*.

The Problem with Offering a Subscription Box

How Companies Should (or Shouldn't) Involve Customers In the Process

BY NITA UMASHANKAR, KIHYUN HANNAH KIM AND THOMAS REUTTERER

The subscription box market has grown by more than 100% year-over-year in the past five years. The most popular categories in this segment, comprising 55% of total subscriptions, involve companies curating boxes containing apparel, meal kits, tech gadgets, personal care, or toys and delivering them to customers' doorsteps at regular intervals. Such services seek to surprise and delight customers with new items and highly personalized experiences.

Established retailers such as Sephora, Walmart, Nordstrom, and Target developed their own subscription boxes to compete with notable newcomers like Birchbox and Stitch Fix. For customers, subscription boxes provide an easy, convenient, and consistent way to access a variety of products with little commitment. In addition, they can skip a box or return the box's products when they wish.

Although such flexibility is attractive, its consequences are concerning for box companies. Customers frequently skip boxes, and even when they do not, they return 60%

to 70% of the box's products. Notably, Nordstrom and Target have since shut down their subscription boxes, and although Sephora continues to offer one, it and other retailers have become concerned about "box fatigue."

How Involved Should Subscription Box Customers Be?

Hoping to improve their outcomes, box companies have started to involve customers throughout the box process using a series of digital touchpoints. For example, customers are invited to preview an upcoming box digitally, provide feedback about the products in a delivered box, and give reasons for skipping a box. The idea is that, in addition to learning about customers' tastes, having them actively participate in the box process is engaging, which, in turn, should result in less skipping and more spending.

Participation is indeed engaging, empowering, and entertaining for customers, but it remains to be seen whether customer participation translates into objective outcomes that benefit companies. In a new *Journal of Marketing* article, we explored this question using secondary data from a national apparel box company that included approximately 30,000 customers' repeated participation, closed- and open-ended feedback, and box purchase behaviors from 2015 to 2018.

Overall, customer participation in terms of previewing the contents of an upcoming box lowers future box purchases. Had the partner company limited upcoming box participation instead of encouraging it, we find they would have gained 14% in customer lifetime revenue. Furthermore, had the company not encouraged customers to provide concrete and specific reasons for skipping a box, it would have gained 10% in customer lifetime revenue. However, had the company encouraged feedback when the subscription boxes were delivered, it could have boosted customer lifetime revenue by 5.7%. In other words, while providing feedback with the delivered box drives future purchases, participation before and after decreases box opt-in and spending.

Lessons for Managers

We offer these suggestions for companies curating subscription boxes:

- Cautiously promote digital previewing for upcoming boxes by allowing customers to be surprised versus informed. For example, consider providing unique and exclusive items or early releases, enabling previewing for some product categories but not others, or rotating these options to maintain the surprise.

- Focus on the first box, not only from the perspective of products matching customers' preferences but also from a customer participation perspective. If customers choose to skip the second box, their chance of churning is high, so refrain from soliciting extensive feedback on why they skipped the box. Instead, increase their interest in earning a new surprise.

- Analyze feedback concerning open-ended comments for sentiment, information, and linguistics, and capture word count, punctuation, and other metrics of text engagement.

- Solicit emotional and concrete feedback for delivered boxes, especially for the first box. Ask customers about specific product attributes (concrete feedback) and how they feel about the products (emotional feedback) and ask them to elaborate. For example, ask questions like, "How did you feel about what you saw in the box?" (emotional) or "List the top three things that came to mind when you tried on this product" (concrete).

- Avoid having customers elaborate on why they are skipping a box. Don't ask customers to explain why they are skipping a box. If anything, use close-ended questions rather than open-ended ones.

We recommend that future researchers consider testing the effects of customer participation in other "pseudo-subscription" settings, such as business models that do not charge styling fees or box companies that merely deliver boxes "on demand" (but with a co-creation element) and offer their customers an opt-in option for regular deliveries. We also see great potential in measuring the effect of upcoming box participation on delivered box participation, the impact of delivered box participation on skipped box participation, and so on. Finally, because our partnering company serves primarily female customers, it would be interesting to determine whether the role played by the surprise element of curated apparel boxes differs by gender. MN

Nita Umashankar is Associate Professor of Marketing, San Diego State University, USA. Kihyun Hannah Kim is Assistant Professor of Marketing, Rutgers Business School, Rutgers University, USA. Thomas Reutterer is Professor of Marketing, Vienna University of Economics and Business, Austria.

READ THE FULL ARTICLE

Nita Umashankar, Kihyun Hannah Kim, and Thomas Reutterer, "Understanding Customer Participation Dynamics: The Case of the Subscription Box," *Journal of Marketing*.

‘We Earned the Coupon Together’

The Value of Experience Cocreation in Redeeming Shared Coupons

BY ERIC (ER) FANG, BEIBEI DONG, MENGZHOU ZHUANG AND FENGYAN CAI

Getting customers to share coupons with their social networks (e.g., “Share the love with a friend, and you both get 20%”) has become a vital coupon distribution strategy to leverage the social influence of customers and provide cost savings. Some recent examples include Alibaba’s “skyscraper building” campaign, where customers invited their friends to form teams, cheered each other on, and built virtual skyscrapers together to win coupons; the Italian brand Raffaello’s initiative to invite customers to create postcards with their loved ones to earn coupons; and the e-commerce company Pinduoduo incentivizing consumers to share and buy products on the platform through online games and interactive challenges among friends.

Studies show that coupon sharing occurs among 90% of millennials, of whom 43% use social media to share coupons with their networks. On the receiving side, 92% of consumers trust referrals from people they know, and 71% buy based on social media referrals. In a new *Journal of Marketing* study, we investigate shared coupons, which combine two components: economic savings and social sharing.

Transform Shared Coupons into Relationship-Building Tools

Which coupons are customers more likely to redeem: coupons shared by friends (shared coupons) or coupons distributed directly from businesses (direct coupons)? On one hand, the social nature of sharing may increase perceived relevance and trustworthiness of a shared coupon relative to an equivalent direct coupon. On the other hand, consumers may perceive it as inappropriate to mix a coupon's economic nature with social relationships ("no money talk with friends"), which could create conflict with the norms of communal relationships.

We propose experience cocreation as a novel strategy to transform shared coupons into a tool to advance relationship building. That is, we urge companies to set up situations where the coupon giver and coupon receiver invest their joint efforts to create a shared experience before redeeming the coupon. The combined activity customers undertake could be to develop a tour plan, design a coffee mug, or play a game. Our research suggests that experience cocreation could boost social goals (e.g., building friendships), alleviate norm conflict, and thus increase the appeal of shared coupons such that customers are more likely to share and redeem them. In other words, we believe the act of coupon sharing can be perceived as a means of promoting social bonding between friends.

The concept of shared coupons with experience cocreation is embedded in the emerging trend of social commerce, which integrates e-commerce with social media. The global social commerce market is increasing at an estimated annual rate of 31.4%, and Facebook launched Instagram Shops in 2020, which blends e-commerce with the Instagram social network. Sellers can create interactive, shareable, and immersive cocreation experiences on social media to promote e-commerce among consumers.

The Value of Reminder Messages to Redeem Coupons

Since experience cocreation can make shared coupons more appealing than direct coupons, we explore how to enhance its effectiveness. No firm can sustain costly coupon strategies indefinitely. Our research team finds a more cost-effective way to entice coupon redemption when dealing with shared coupons involving experience cocreation: by sending reminder messages to customers who have claimed the coupon but have not yet redeemed it. The message could emphasize the shared coupon's economic value ("you still have a coupon for $10") or a reminder that highlights its social value ("you still have a coupon you earned with your friend"). We find that economic messages are most effective at driving redemptions for high-value coupons, but not for low-value coupons; meanwhile, social messages have little effect on high-value coupons, but they dramatically increase redemptions for low-value coupons.

We recommend that managers consider three steps when utilizing social influence to promote business:

1. Encourage consumers to share coupons. This can be a low-cost but impactful consumer-to-consumer coupon distribution strategy because it takes advantage of social influence. However, firms must note that social capital does not always lead to economic capital.

2. Enable consumers to advance social goals with experience cocreation. When designing the cocreation program, firms should configure the program around two criteria: (1) requiring joint effort and promoting a shared experience between consumer peers; and (2) considering important factors such as whether the experience is interactive, competitive, or collaborative, and occurring between friends or strangers.

3. Communicate shared coupons' social value, which can substitute for economic value. That is, with the correct communication, low-value coupons are as appealing as high-value coupons. In our simulation, for a low-value shared coupon with cocreation (worth $4), an ex-post social message could increase the coupon's value by 48.32% (to $5.93). Further, offering large economic incentives may not be worthwhile if they both cost more and diminish the social appeal of shared coupons. **MN**

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READ THE FULL ARTICLE

Eric (Er) Fang, Beibei Dong, Mengzhou Zhuang, and Fengyan Cai, "'We Earned the Coupon Together': The Missing Link of Experience Cocreation in Shared Coupons," *Journal of Marketing*.

Research Insights

Quick Takes on New AMA Research: Customer Experience Edition

BY T.J. ANDERSON

Q&A Sections Lead to Better Customer Reviews

Ecommerce platforms typically offer a customer Q&A feature—but is there any advantage in using one? This study shows that Q&As tend to be more objective and less sentiment-laden than reviews, and as a result, they facilitate better matches between consumers and products and lead to greater consumer satisfaction (reflected by higher ratings) downstream. Thus, retailers should consider incorporating the Q&A feature on their platforms and actively maintaining it.

Furthermore, the research shows that negative ratings often arise due to user–product mismatch rather than just poor product quality. Retailers should consider reporting a separate "fit score" and "quality score" instead of a simple average rating to give consumers a better sense of objective product quality and to better gauge the sources of consumer dissatisfaction.

WHAT YOU NEED TO KNOW

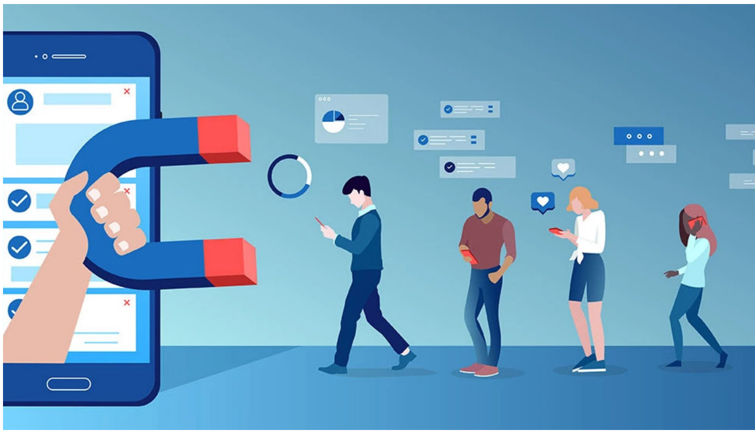
- Online retailers should incorporate and maintain Q&A technology.
- Online retailers should consider the fact that negative ratings often indicate preference mismatch rather than poor product quality and track "fit reviews" and "quality reviews" separately. A lower "fit" average would alert retailers to invest resources in improving user–product matches, rather than investing in product quality.

READ THE FULL ARTICLE

Shrabastee Banerjee, Chrysanthos Dellarocas, and Georgios Zervas (2021), "Interacting User-Generated Content Technologies: How Questions and Answers Affect Consumer Reviews," *Journal of Marketing Research*, 58 (4), 742-61. doi:10.1177/00222437211020274

Content That Engages Your Customers: The Role of Brand Congruity and Promotions in Social Media

In September 2020, Budweiser launched a "Pupweiser Contest" on Instagram. Fiat and Starbucks used pets, babies, and zodiac signs in their Facebook posts. These campaigns are incongruent with these brands' identities, but they were used in attempts to attract fans' attention and induce online engagement. Is this strategy effective? Researchers find the answer is no. The degree of congruency between the online content and the brand identity matters, as it positively affects the amount of rebroadcasting activity. Furthermore, posts that include promotional incentives trigger shares only when online content is congruent with the brand fan page. This happens because these kinds of campaigns generate less customer reactance and increase altruistic motivations.



WHAT YOU NEED TO KNOW

- Using likeable cues (e.g., puppies) does not lead brands to more online engagement.
- Firms should carefully consider the congruity of a post with their brand identity, particularly when the post embeds a promotional incentive.
- Incongruent posts activate fans' reactance, whereas congruent posts with promotional incentives trigger altruism.

READ THE FULL ARTICLE

Elisa Montaguti, Sara Valentini, and Federica Vecchioni (2023), "Content That Engages Your Customers: The Role of Brand Congruity and Promotions in Social Media," 58 (1), *Journal of Interactive Marketing*, 16–33. doi:10.1177/10949968221129817

Consumers Prefer Local Products When the Economy Is Good, but They Prefer Global Products During Recessions

In 2005, Coca-Cola entered the juice market in Brazil through the acquisition of an established local juice brand called Sucos Mais and expanded later by acquiring Sucos Del Valle. Although it had plans to use its global brand name (i.e., Minute Maid), the company decided to keep the local name of the acquired juice manufacturer by merging it with its global brand name to form a new brand called Minute Maid Mais, and then Sucos Del Valle Mais. Although Coca-Cola did not consolidate its global brand name in the country, the company leads the Brazilian juice market. Such an example reveals managers can benefit from understanding consumer perceptions of brand origin to develop appropriate marketing strategies in international markets. Consumers' perceptions of brand origin can be even more important in times of economic recession, when consumers are seeking more information and use brand signals to drive their decisions. The findings from this study suggest that brands with a different country-of-origin perception are differentially affected by economic contractions. The market share of brands that customers most identify as domestic suffer more damage during contractions than brands they perceive as foreign. These results generate a better understanding of brands' resistance to economic declines based on their perceived country of origin. During economic contractions, when the market share of brands perceived as foreign suffer less damage, the companies may highlight international image cues. In contrast, during nonrecession periods, brands can benefit more if they highlight the domestic-perceived origin.

WHAT YOU NEED TO KNOW

- In non-recessionary periods, brands perceived as domestic have an advantage in terms of market share gains.
- Recession harms the market share of all brands, but those perceived as more domestic are the most affected during downturns.
- Brands can benefit if they highlight their domestic- or foreign-perceived origin based on economic fluctuations.

READ THE FULL ARTICLE

Vitor Azzari, Felipe Zambaldi, Leandro Angotti Guissoni, Jonny Mateus Rodrigues, and Eusebio Scornavacca (2023), "Brand Origin Effects During Economic Declines: Evidence from an Emerging Market," *Journal of International Marketing*, 31 (2), 25–42. doi:10.1177/1069031X231154483

Customers with Routines Are Better Customers

People use ride shares for many reasons. Sometimes the reason is a random occurrence, like visiting a friend, whereas other times the reason is highly routine, like going to work every day in a ride share or going to an afternoon yoga class twice a week. The authors show that this is in an important distinction: If a customer uses a service as part of their routine, they tend to be a higher-value and overall better customer than if they use the service randomly. Another way to think about this is to imagine two customers: one who calls a ride five times a week at random and another who calls a ride five times a week in a very predictable way. The authors show that, in the long run, your company is better off acquiring more customers like the latter. While these results may sound intuitive, identifying routines in simple transactional data is anything but trivial. The researchers develop a model for achieving this goal by leveraging a form of machine learning called Bayesian nonparametrics to understand customers' routines. Although the focus is on ridesharing, the model is general, and the authors suspect many companies can benefit from a deeper understanding of their customers' routines.

WHAT YOU NEED TO KNOW

- In ride sharing data, researchers observe that customers with routines are more valuable than customers without. They hypothesize that this finding holds beyond the context of ride sharing.
- Customers with routines also appear to respond differently to pricing and service disruptions than customers without routines. This is especially true when the disruption happens during a routine.
- How routine your customers are can be a new KPI in understanding your customer base.

READ THE FULL ARTICLE

Ryan Dew, Eva Ascarza, Oded Netzer, and Nachum Sicherman, "Detecting Routines: Applications to Ridesharing CRM," *Journal of Marketing Research*, forthcoming. doi:10.1177/00222437231189185

Chatbots That Use More Concrete Language Improve Customer Satisfaction

This study shows how chatbots' language concreteness—the specificity of words used during interactions with consumers—can help improve customer satisfaction, willingness to use the chatbot, and perceived shopping efficiency.

The authors emphasize three communication phases (opening, query/response, and closing) during which it is possible to introduce concrete language to influence consumers' perceptions about chatbot competence. These language compositions can be expressed by including detailed descriptions of the chatbot at the beginning of the conversation (e.g.,

"Hello, I'm Oscar, the chatbot of X brand"), providing specific options that companies can employ to satisfy consumers' needs (e.g., "Can I help you with bookings, requests, or services?"), and concretizing which aspects the chatbot has helped with during the interaction at the end of the conversation (e.g., "You're welcome. Thank you for your booking; see you next Friday.").

WHAT YOU NEED TO KNOW

- Chatbot language concreteness is an essential characteristic of fruitful and satisfactory interactions when consumers need information to satisfy an immediate shopping need.
- Not all service companies can afford massively pretrained language models; therefore, more affordable chatbots could compensate for this by using predesigned concrete expressions throughout conversations to meet immediate consumer needs.
- Human employees who use less concrete language are as effective as chatbots that use concrete language to enhance consumers' perceived competence, satisfaction, and perceived shopping efficiency.

READ THE FULL ARTICLE

Jano Jiménez-Barreto, Natalia Rubio, and Sebastian Molinillo, "How Chatbot Language Shapes Consumer Perceptions: The Role of Concreteness and Shared Competence," *Journal of Interactive Marketing*, forthcoming. doi:10.1177/10949968231177618

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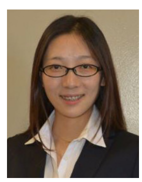

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"Trust Propensity Across Cultures: The Role of Collectivism" (*Journal of International Marketing*, March 2022)

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"Consumer Ethnocentrism, National Identity, and Consumer Cosmopolitanism as Drivers of Consumer Behavior: A Social Identity Theory Perspective" (*Journal of International Marketing,* June 2015)

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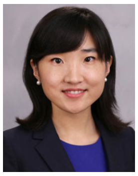

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"Hype News Diffusion and Risk of Misinformation: The Oz Effect in Health Care" (*Journal of Marketing Research,* April 2022)

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This award honors the *Journal of Marketing Research* article published five years earlier that has made the most significant, long-term contribution to marketing theory, methodology, and/or practice.

WINNER:

Eva Ascarza

"Retention Futility: Targeting High-Risk Customers Might Be Ineffective" (*Journal of Marketing Research,* February 2018)

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Journal of Public Policy & Marketing Award

2023 Thomas C. Kinnear/Journal of Public Policy & Marketing Award

This award honors *Journal of Public Policy & Marketing* articles that make the most significant contribution to the understanding of marketing and public policy issues within a three-year period.

WINNERS:

Sonja Martin Poole

Sonya A. Grier

Kevin D. Thomas

Francesca Sobande

Akon E. Ekpo

Lez Trujillo Torres

Lynn A. Addington

Melinda Weekes-Laidlow

Geraldine Rosa Henderson

"Operationalizing Critical Race Theory in the Marketplace" (*Journal of Public Policy & Marketing,* April 2021)

2023 Louis W. Stern Award

This award honors outstanding articles in widely recognized and highly respected refereed journals that have made a significant contribution to the literature on marketing and channels of distribution.

WINNERS:

Jonathan Zhang

George F. Watson IV

Robert W. Palmatier

Rajiv Dant

"Dynamic Relationship Marketing" (*Journal of Marketing,* September 2016)

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New Perspectives on Addressing Issues at the Intersection of Marketing and Society

Two recent *Journal of Marketing* articles provide new insights into marketing and societal issues

BY DIONNE NICKERSONS

From consumers to investors to employees, a recent survey reports that every stakeholder group expects businesses to help find solutions to issues including economic inequality, gender bias, and climate change. With these expectations only growing, there may be a need to develop new measures in marketing to investigate questions at the intersection of marketing and society. Using such measures has the potential to inform policymakers, which may ultimately improve outcomes on some of the most critical issues facing society today. Two recent articles from the *Journal of Marketing* provide nuance to previously used measures to consider marketing's impact on societal outcomes.

Despite significant strides during the 20th century, gender equality remains a pressing societal issue. In business, women continue to face inequality leading most notably to lower pay, with even starker consequences for women of color. However, recent findings suggest that women in top management reap not only personal benefits but also financial performance benefits for their firms. The *Journal of Marketing* article, Women in Top Management Teams Matter by Chandra Srivastava, Saim Kashmiri, and Vijay Mahajan, shows that women executives influence the financial performance of firms by centering and focusing on customers.

The authors introduce female influence in the top management team (FITMT) as a measure of female executives' leverage on decision-making within the entire management team (TMT). FITMT differs from traditional demographic standards that focus on female representation in the TMT and thus allowed the authors to tease out these important findings. As Srivastava notes, "By expanding access to leadership among women, we get better marketing for the firm, and we get a more equal society."

The *Journal of Marketing* article Beyond Income by Linda Court Salisbury, Gergana Y. Nenkov, Simon J. Blanchard, Ronald Paul Hill, Alexander L. Brown, and Kelly D. Martin addresses another critical societal issue, consumer financial vulnerability (CFV). The authors suggest that addressing CFV requires broadening CFV to account for individuals' risk of experiencing harm, not just those currently experiencing harm. Given the current measures of CFV, Salisbury provides a powerful example explaining why we typically underestimate the number of vulnerable people in the marketplace, "An uninsured person may delay medical treatment, preventive treatment because they can't afford it. That could lead to a medical crisis, which then could lead to short-term disability, and loss of work. It becomes a kind of domino effect of harm. So, we wanted to try to make it clear that vulnerability is a risk of harm. So, you don't have to be experiencing harm to still be vulnerable to it." The researchers also show that by analyzing customer financial data, marketers can help to offset consumer financial vulnerability.

In addition to the managerial insights and policy implications, these articles shed light on the need for new tools and measures to address issues at the intersection of marketing and society appropriately. Referring to FITMT, Srivastava explains that companies "can look at it and say, 'Well, we have an equal number of women to men, but the women don't hold any of the top leadership positions. They're all at the lower ranks.' And so, this would enable them to really see how much influence they're giving diverse bodies outside of what's the norm." Discussing the logic behind expanding CFV, Salisbury adds that "in other domains, firms might start to think of considering measurement, which would allow us to identify the risk of certain types of harms that consumers might experience, rather than waiting for the harms to occur. I think that could really benefit, both consumers and firms alike."

Stakeholders increasingly expect firms to address societal issues. Thus, as marketing academics and practitioners consider marketing's impact on societal outcomes, new ways of measuring this impact may become necessary. While the stakes are high, given the challenges of the moment, the rewards could mean a more equitable and just society for all. MN

Advice for firms addressing societal issues

1 **GROWTH AND PROFIT MAXIMIZATION** prioritizes one group of stakeholders, owners/investors, often at the expense of other stakeholders. Firms should prioritize the needs of all their stakeholders (e.g., employees, customers, communities), focusing on long and longer-term performance

2 **FIRMS SHOULD RECOGNIZE** that some of the measures that have been used in the past may be insufficient to analyze and assess the issues of the moment.

3 f**FINANCIAL PERFORMANCE MEASURES** are no longer enough. Firms should begin measuring their social impact as well.

4 **FIGURING OUT THE BEST METRICS** may require investing time, financial, and personnel resources.

Stocking Up on Soda

How Consumers Avoid Soda Taxes by Shopping in Nearby Non-Taxed Areas

BY KIWOONG YOO AND MELISSA BAUCUM

Some tax policies, often referred to as "sin taxes," are designed with the intent to decrease consumer consumption activities that are considered undesirable for society or individuals (e.g., alcohol, tobacco, gambling, fast-food) and are passed through to consumers. As obesity continues to be a prevalent issue, cities have begun levying such taxes on sugar-sweetened beverages (such as soda) to discourage demand for these drinks, which have been identified as the single largest source of added sugar in the American diet. But how effective are efforts like the soda tax at reducing the quantity of sugar-laden drinks consumed by the public?

Although the tax reduced the number of sugary beverages sold in the city of Philadelphia overall, more than half of this decline in sales was offset by an increase in sugary drink purchases within 6 miles outside of the city's border where the tax was not in effect.

In response to growing interest in this question among policy makers, authors Stephen Seiler, Anna Tuchman, and Song Yao investigated the impact of a tax on sugar-sweetened beverages levied in Philadelphia, Pennsylvania. Their recent article in the *Journal of Marketing Research* demonstrates how the intended outcomes of so-called "sin taxes" can be circumvented by shoppers who are willing and able to stockpile these taxed goods from neighboring non-taxed regions. The authors found that, although the tax reduced the number of sugary beverages sold in the city of Philadelphia overall, more than half of this decline in sales was offset by an increase in sugary drink purchases within 6 miles outside of the city's border where the tax was not in effect. After accounting for cross-shopping from neighboring retailers, the net sales of taxed beverages fell by only 22% (compared to the 46% decline when the analysis was limited to the taxed area only). This finding is an essential consideration for both policymakers and advocates of soda taxes.

Analysis of commuter data revealed that a store's share of commuters was predictive of the demand decrease in taxed beverages, suggesting that shoppers who commuted to a workplace less than 6 miles outside Philadelphia's borders played a significant role in creating the cross-shopping effect. Additionally, cross-shopping outside of the taxed region was most prevalent for large drink pack sizes rather than beverages intended for immediate consumption, suggesting that consumers minimized out-of-town shopping costs by stocking up on beverages and storing them for future consumption. Finally, the authors found that demand for sugar-sweetened beverages was less impacted in lower-income areas, mainly due to the lower likelihood of vehicle ownership. The influence of transportation costs, shopping intent, and income level demonstrates how policies can result in heterogeneous effects across consumers.

Policy makers can use the insights from Seiler and colleagues to consider important questions like these during the policy design process. For example, to what extent can affected consumers engage in cross-shopping outside of the taxed region? Cross-shopping was widespread in Philadelphia given the relatively close proximity to non-taxed areas, but broadening the geographical coverage would likely reduce the proportion of cross-shoppers as the monetary savings from tax aversion are not substantial enough to warrant more significant travel costs for those not near the tax zone's border. Cross-shopping is also less likely in more rural areas, where commuting great distances to the tax region's border is less common. Additionally, what types of consumer products are policy makers attempting to influence? In the case of Philadelphia's soda tax, retail products such as a pack of soda cans were more likely to be shopped for outside the city's border than immediate consumption products like single soda cans. Therefore, future policy makers should account for both geographic and product-specific effects when evaluating optimal tax design.

For retailers, the findings of this research are quite relevant. Acknowledging the likely potential for cross-shopping across regional borders can help retailers near borders of taxed and untaxed areas anticipate and plan for inventory fluctuations, strategize pricing, and better understand shifts in product sales data.

Q This article investigates the impacts of a soda tax on the taxed region and the surrounding untaxed areas. What inspired the scope of this research?

A Most soda taxes are motivated by two objectives: (1) to raise municipal tax revenues and (2) to improve health outcomes by reducing the consumption of sugar-sweetened beverages. In order to assess the extent to which consumers changed their consumption, we needed to account for different channels of substitution.

We suspected that consumers might substitute soda with untaxed products like juice or water; additionally, they might try to avoid the tax by driving outside of the taxed area. We therefore decided to collect data over a sufficiently broad set of products and geographic areas to assess whether this was the case. While we predicted we would find some degree of geographic substitution, we were surprised to find that this substitution channel was more quantitatively important than expected!

Q How do you suspect these findings would hold (or differ) in the immediate consumption contexts of restaurants and vending machines?

A Cross-shopping (i.e., driving outside of the city) is probably less likely in the context of restaurants, and therefore demand for soda in those channels will likely be less impacted by the tax.

In our paper we find that purchases at convenience stores and purchases of small sized beverages decreased less than purchases made at other retail formats and less than

purchases of large sized beverages. Both of these patterns are consistent with our prediction that purchases made for immediate consumption are likely to be less responsive to a soda tax.

Q One of the conclusions from your research is that broadening the geographic coverage of the tax will increase tax revenue due to a lower likelihood of cross-shopping. How do you think your proposed model would be applied to nations that have many neighbors such as Belgium or Switzerland or other countries in Europe?

A Cross-shopping is a matter of degree. Whenever an untaxed area is nearby, we expect to see this type of behavior to some extent. However, the monetary savings in solely the category of sugary drinks is probably not large enough to warrant large travel costs. We therefore believe that a tax at the level of a US state or a medium-sized European country will suffer less from this phenomenon, except those areas right around the borders. In particular, if the boundary of the taxed zone falls in a more rural area, then few people will live close enough to the border to find it worthwhile to cross-shop.

Q Many children consume high-caloric and high-sugar meals for breakfast (e.g., cereals, Pop-Tarts, yogurt, waffles). Compared to soda, these breakfast meals are considered part of a very important meal of the day. How do you think that potential taxes on these breakfast meals would impact consumers' purchase quantity and nutritional intake? Would you anticipate the same effects of the soda tax?

A Breakfast foods should, in principle, be subject to the same underlying forces that we documented for soda. When a tax is imposed, consumers have the option of (1) continuing to buy at a higher price, (2) incurring some travel costs in order to purchase the same product at a lower price outside the taxed zone, (3) substituting to an untaxed product at a local store, or (4) forgoing consumption altogether. Without having analyzed data on this product category, we can't make a clear prediction as to which of these choices would be most prevalent.

Q The COVID-19 pandemic seems to have shifted consumers' attitudes and behaviors. Do you think your findings would be similar if you ran these same studies today?

A There might be less cross-shopping because consumers may try to cut down travel to reduce COVID-19 exposures. Furthermore, correlations between cross-shopping and commute patterns suggest that some cross-shopping occurs when Philadelphia residents commute to work outside the city. With more people working from home, the transit cost of purchasing outside the city might be higher. Another relevant factor is the increased prevalence of online shopping that might affect consumers' reaction to the tax, because while the soda tax is clearly labeled at brick-and-mortar stores, it may be less obvious at online channels.

Q What research questions would you encourage other scholars to explore, given the findings from your article?

A Our paper focuses on analyzing store-level data. We looked into analyzing household-level data as well, but the sample of households we observed was too small and left our analyses under-powered. With data on a large set of households, researchers could more directly explore what type of consumers are more responsive to the tax or more likely to engage in cross-shopping (patterns by income and obesity might be particularly interesting). Furthermore, soda is often used as a loss-leader category by retailers. It may be interesting to investigate whether the soda tax affects the sales of other categories as well. **MN**

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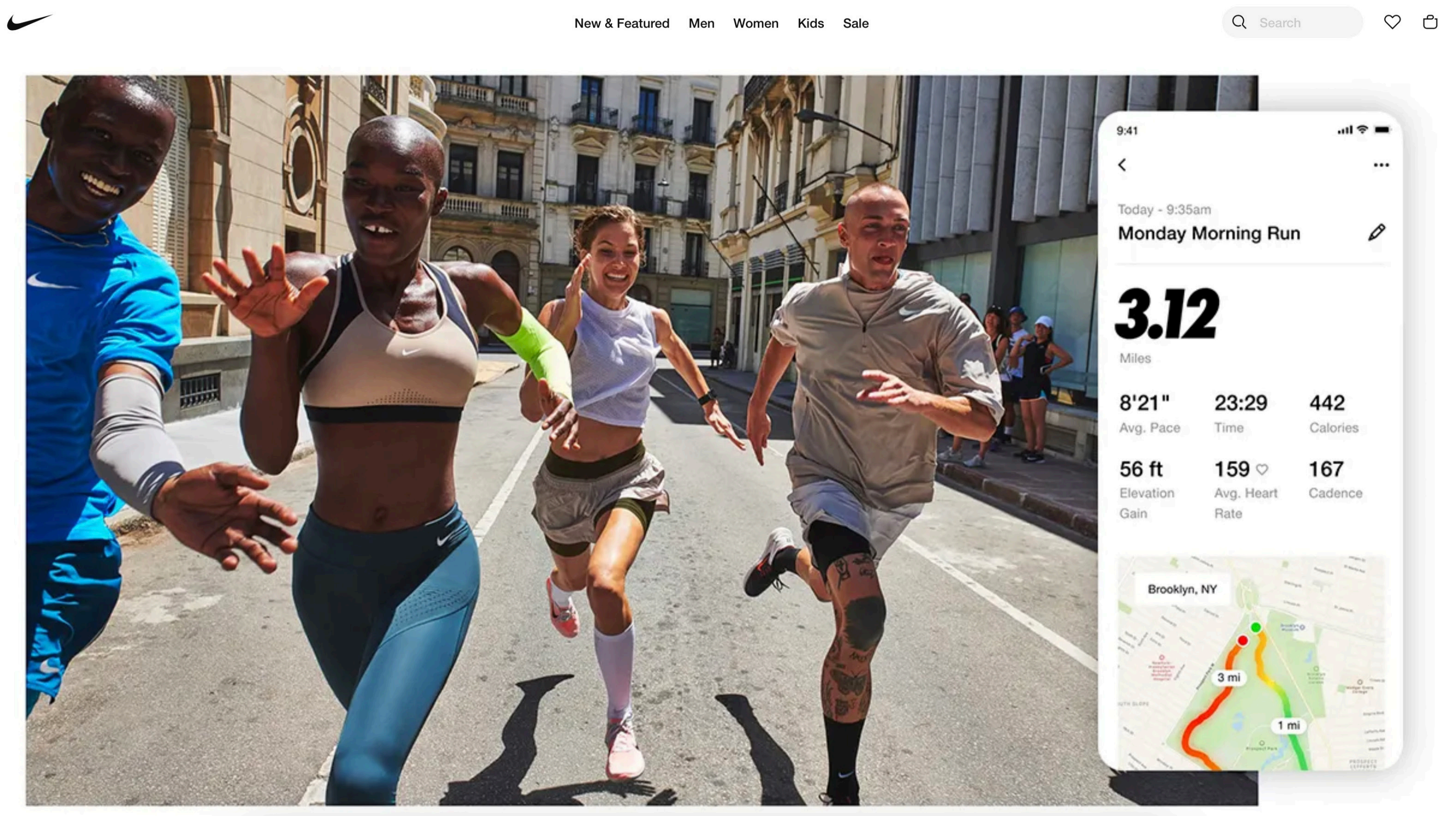
READ THE FULL ARTICLE

Seiler, Stephan, Anna Tuchman, and Song Yao (2021), "The Impact of Soda Taxes: Pass-Through, Tax Avoidance, and Nutritional Effects," *Journal of Marketing Research*



Nike's Run Club addresses the overarching consumer goal of living an active, healthy lifestyle.

Why Product Brands Should Build Their Own Platforms

BY JULIAN R. K. WICHMANN, NICO WIEGAND AND WERNER J. REINARTZ

Digital platforms like Amazon, Zalando, and JD.com have conquered the interface to consumers by offering vast assortments of competing products and vendors. This has put considerable pressure on traditional product brands that face increasingly fierce price competition and diminished brand differentiation on these platforms. However, the poison can also be the antidote, as a new *Journal of Marketing* study shows. Brands such as Nike, Adidas, AISICS, and Bosch are operating their own brand flagship platforms that incorporate a host of functionalities and stakeholders, thereby regaining the direct interface to consumers and deepening buyer loyalty.

Our research team identified two central processes shaping brand flagship platforms: consumer crowdsourcing and crowdsending of products, services, and content. Consumer crowdsourcing refers to consumers drawing value from platform participants such as the brand, other consumers, or third-party businesses. Consumer crowdsending refers to consumers providing value to these platform participants.

Consumer crowdsourcing and crowdsending processes manifest in various interactions on flagship platforms. We group these interactions into five key platform building blocks: transaction block, community block, benchmarking block, guidance block, and inspiration block. We argue that brands should assemble these building blocks and their functionalities based on a common overarching consumer goal. For example, Nike's Run Club addresses the overarching consumer goal of living an active, healthy lifestyle by offering exclusive products (transaction block), sports events (community block), tracking and competitive features (benchmarking block), and expert guidance and personal coaching (guidance block).

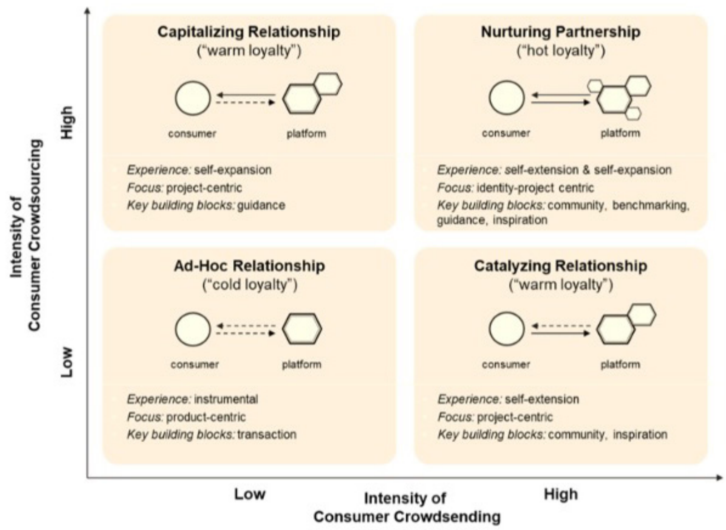
Furthermore, we show that brands can tailor the degree of consumer involvement in the crowdsourcing and crowdsending processes, which has important implications for the emergent consumer-platform relationships. That is, the more frequently and more intimately that consumers interact with the platform, the more intensely they crowdsource and crowdsend and the more the relationship transforms from purely transaction-focused to highly self-relevant, committed, and durable. Specifically, we identify four different states that consumer-platform relationships can assume.

In ad-hoc relationships, consumer crowdsourcing and crowdsending intensity is limited and interactions are firmly focused on the brand's core product. In this state, the platform often features a strong transaction block or (smart) extensions to the core product (e.g., Philips' Sonicare App for its dental health products). The emerging relationships are instrumental and characterized by cold loyalty as consumers focus on the platform's utilitarian benefits such as convenience or cost savings.

In capitalizing relationships, there is intense consumer crowdsourcing as the platform integrates a variety of third-party business into the value creation. Consequently, the platform's focus expands from the core product to the broader category space under an overarching consumer goal. For example, an athletics brand can invite coaches and nutritionists onto its platform to assist consumers on their journey to an active and healthy lifestyle. Accordingly, a common building block of such a platform is the guidance block. The emerging platform-consumer relationship is characterized by a warm loyalty with strong commitment and attachment that exceeds purely rational motives.

In catalyzing relationships, consumer crowdsending is intense, implying a deep integration of consumers into the value creation process. LEGO Ideas represents such a platform on which consumers create and publish their own LEGO designs. These platforms often feature strong community and inspiration blocks through which they become like a blank canvas that consumers can project their own identity and goals onto. As such, consumers are highly involved, engaged, and committed, representing another form of warm loyalty.

Finally, in nurturing partnerships, consumers engage in intense crowdsourcing as well as crowdsending, which leads to a profound relevance of the platform for consumers' sense of self. That is, the platform becomes a co-creator of a consumer's identity as much as the consumer co-creates the platform offering, leading to what we term hot loyalty. A consumer seeking to become a proficient runner, for example, crowdsources training routines while also exercising her new identity as an increasingly avid runner



through crowdsending by advising other consumers, setting up competitions, or sharing running routes.

While the opportunities of brand flagship platforms are enticing, they also come with distinct risks, such as the dilution of the core brand due to the inclusion of third parties, platform hijacking through consumers, and high operational costs.

For managers, the platformization of brands implies some fundamental changes to established notions. Flagship platforms shift the market focus from products to entire category spaces, require measurements that extend beyond brand performance to interaction quality, and demand new resources and skills that enable the ongoing orchestration of interactions and relationships. Given the increasing platformization of the marketplace, companies will need to decide whether they want to stick to the traditional pipeline model, complement other platforms, or embrace the opportunities and challenges of operating their own brand flagship platform. **MN**

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READ THE FULL ARTICLE

Julian R. K. Wichmann, Nico Wiegand and Werner J. Reinartz (2021), "The Platformization of Brands," *Journal of Marketing*