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QUARTERLY

MarketingNews

AMERICAN MARKETING ASSOCIATION AMA.ORG SPRING 2024

GENERATING RETURNS ON DE&I INVESTMENT

RESULTS FROM THE CMO SURVEY

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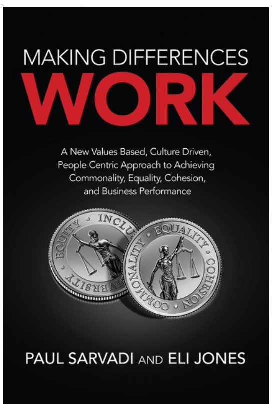

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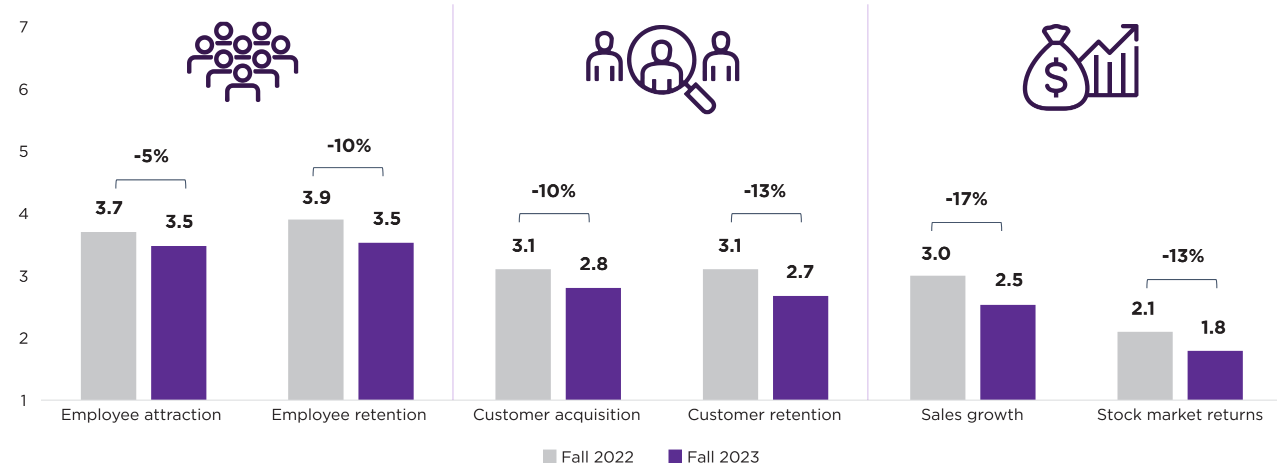
Ensuring DE&I Investments Drive Significant Business Impact

BY CHRISTINE MOORMAN AND MICHELLE SEALS

In 2020, the Black Lives Matter and #MeToo movements created a groundswell of activism. Customers and employees pushed companies to accelerate progress toward achieving diversity, equity, and inclusion (DE&I) goals and publicly scolded laggards. As a result, companies held listening tours, appointed DE&I leaders, set more aggressive targets for hiring and retaining a more diverse workforce, and invested in their communities. In the 2021 edition of The CMO Survey, marketing leaders of U.S. for-profit companies reported increased spending on DE&I-related advertising and other programs by 8.9%; this number grew to 10.7% in 2022. As leaders responded to public activism and stakeholder demands, it seemed corporate America was taking strides toward building a more inclusive business world.

HOW DE&I INVESTMENTS IN MARKETING HAVE PAID OFF

How, if at all, have your company's DE&I marketing investments paid off in terms of the following outcomes?
(1 = not at all, 7 = a great deal)



SOURCE: THE CMO SURVEY FALL 2023 EDITION

DE&I Investments Decrease Rapidly Year-Over-Year

Flash forward to the present day. Economic and political uncertainty have eroded market conditions this past year, buffeting businesses globally. As a result, we find that investment in—and growth of—DE&I initiatives are rapidly decelerating. In the most recent edition of The CMO Survey, marketing leaders report growth in DE&I spend has slowed to 2.3%—a drop of 79% from one year ago. Likewise, only 41% of marketers expect DE&I to be a marketing priority over the next five years, down from 59% in 2021.

One reason for this sharp and sudden decline may be leaders' view that DE&I is not delivering the desired results. As the chart above indicates, the return on DE&I investments appears to have weakened across employee, customer, and financial outcomes. As a result, leaders who want to use DE&I as a lever to drive business outcomes are likely disappointed and experiencing challenges gaining new budget for these initiatives.

Generating Returns on DE&I Investments

Various factors could be causing leaders and teams to deprioritize DE&I in marketing decision making, including growing political polarization, economic uncertainty, legal challenges from recent Supreme Court rulings, and even the war for talent. Although this topic is worthy of discussion, we thought it was more instructive to focus on the question of which companies are getting stronger returns from DE&I investments.

Our view was that for companies to commit to and sustain high-ROI DE&I actions, they require more than strong goals and hyped spending. Instead, we theorized that these leaders would need to develop a process or set of processes for making decisions using DE&I criteria and goals.

To test our theory, we asked marketing leaders to "rate the degree to which your company has developed an inclusive approach to marketing decision making, meaning you have established steps to review and/or evaluate marketing decisions from a DE&I perspective." Leaders assessed their approach to inclusive decision making on a seven-point scale, where 1 = "not at all," and 7 = "very highly." The average score was around the scale's midpoint (3.3), consistent since 2021. However, our interest was not in assessing whether the average score for this metric was increasing. Instead, we wanted to know if companies that scored higher on this metric also achieved stronger employee, customer, and financial returns than those that reported low scores.

To do so, we rank-ordered the 316 companies that participated in The CMO Survey and created two groups: one that is above the median on the DE&I process measure ("strong"), and another that is below the median ("weak"). Using these two groups, we calculated the average payoff of DE&I marketing investments on six performance outcomes. The table on the next page shows the mean performance level for each outcome for companies with strong and weak DE&I decision-making processes.

ROI DIFFERENCES FOR COMPANIES WITH STRONG AND WEAK DE&I PROCESSES

	Strong DE&I Process	Weak DE&I Process
Employee attraction	Mean = 4.67 (SD = 1.68)	Mean = 2.31 (SD = 1.64)
Employee retention	Mean = 4.67 (SD = 1.74)	Mean = 2.43 (SD = 1.60)
Customer attraction	Mean = 3.69 (SD = 1.45)	Mean = 1.94 (SD = 1.50)
Customer retention	Mean = 3.50 (SD = 1.36)	Mean = 1.86 (SD = 1.45)
Sales revenue growth	Mean = 3.26 (SD = 1.37)	Mean = 1.80 (SD = 1.50)
Stock market outcomes	Mean = 2.28 (SD = 0.83)	Mean = 1.34 (SD = 1.43)

Performance is measured by executives' response to the question, "How, if at all, have your company's DE&I marketing investments paid off in terms of the following outcomes?" (1 = not at all, 7 = a great deal)

SOURCE: THE CMO SURVEY FALL 2023 EDITION

Importantly, our analysis of these differences indicates a statistical difference in performance for these two different types of companies. Consistent with these findings, when asked to rate the top barriers to bringing DE&I into the firm's strategy, 50% of leaders included "lack of good DE&I decision making processes to drive strategy."

Critical readers will ask about other drivers. Why not include DE&I investments? We ran the same analysis and included the company's DE&I marketing spending level (percent of marketing budget spend on DE&I). Results indicate that spending is not predictive of DE&I business outcomes while our DE&I process remains a strong significant predictor even accounting for this spending level. Process trumps spending when it comes to the business impact of DE&I spending in marketing.

Six Ways Companies Architect Inclusive Decisions

So, what does an inclusive approach to marketing decision making look like at companies today—in other words, how can companies ensure they are reviewing and evaluating marketing decisions from a DE&I perspective? We offer several options, pointing to their pluses and minuses.

1. **Infusing a DE&I review into standard decision-making processes:** This approach is efficient as teams simply add a new step to a well-established process. However, it has less objectivity, especially when the decision makers have convinced themselves that the strategy is a good idea.

2. **Having an independent group perform the DE&I review:** This group operates independently of the strategy group, acting as a safeguard to ensure that decisions meet the DE&I standards of the company. Walmart established a DE&I review board of 100 volunteer marketing associates who use this approach to make decisions. Board members review marketing strategy, campaigns, and creative work before decisions are made.

   The value of an independent body is objectivity. This group sits outside of the strategy group and has an impartial view of the DE&I of a strategy. The downside is that they may work in strategy fantasyland—meaning they are focused on DE&I principles without considering corporate strategy goals, constraints, and nuances.

3. **Train on using the DE&I perspective to make decisions:** Companies can train their entire marketing organization on adopting a DE&I lens to make decisions to solve common problems. This bottom-up, practical approach seeds knowledge in individuals, so that they can increase their use of DE&I criteria in decision making. The challenge with this approach is that this may not occur—especially at the beginning when decision makers are learning the DE&I ropes. Companies can boost use of criteria by adopting a final process step that asks decision makers to evaluate the DE&I impact of their decisions.

4. **Embracing DE&I-relevant feedback:** Cultivating a culture of feedback regarding DE&I strategy from both

internal and external stakeholders can help the firm recognize areas of improvement. This ongoing "inflow" of information can reveal underlying obstacles that may be reducing DE&I's business impact.

5. **Selecting and cultivating leaders who care about DE&I:** Leaders who prioritize DE&I can steer their teams to use these criteria in decision making. This top-down approach puts more emphasis on the individual. As a result, it succeeds or fails depending on that leader's strengths and weaknesses.

6. **Ensuring decision makers are diverse:** Building a group of diverse decision makers at all levels of authority assumes that this group possesses diverse viewpoints and will approach decisions with more inclusivity and equity.

   This approach was used at Salesforce. As founder and then-CEO Marc Benioff reported, "less than 29% of Salesforce's total employees were women, and they made up only 14% at the leadership level. To make sure talented female employees were being considered for leadership roles, I'd announced that going forward, at least 30% of the participants at any meeting, from a large management session to a small product review, should be women."

Why Leaders Will Continue Prioritizing DE&I Investments

Many companies view DE&I through multiple lenses: as a corporate responsibility, to build diverse teams and serve communities more effectively; a talent strategy to recruit, retain, and develop diverse talent; and a new lever to drive business outcomes. To keep and win C-suite approval and secure the budgets they need, marketing teams need to demonstrate how DE&I criteria positively impact business results. And since funding is not infinite, these results need to be on par or outperform other strategy levers.

As our results indicate, marketing leaders and organizations that have a defined process for including DE&I criteria in decision making significantly outperform peers that don't, providing results that the entire C-suite cares about. CHROs will value the ability to attract and develop diverse talent and create a great workforce culture. CMOs will appreciate how DE&I helps them win and retain top customers. And CEOs will closely measure the impact DE&I decision making has on revenue growth and stock prices.

Marketing teams can achieve better outcomes with DE&I-influenced decision making by adopting one or more of the process steps outlined in this article. By so doing, they'll find the right mix, bring greater consistency and discipline to their decision making, and achieve results that contribute to their companies' outperformance in the marketplace. **MN**

Christine Moorman is the T. Austin Finch Sr. Professor of Business Administration at Duke University and founder and director of The CMO Survey. Michelle Seals is a second-year MBA student at the Fuqua School of Business at Duke University and previously was a senior consultant at Deloitte Consulting, specializing in the Customer and Marketing portfolio.

The CMO Survey is sponsored by Deloitte LLP, the Fuqua School of Business, and the American Marketing Association. Reports from the Fall 2023 edition, which is based on responses from 316 U.S. marketing leaders at for-profit companies, can be found at https://cmosurvey.org/results/. You can opt in to participate in future surveys at https://cmosurvey.org/participate/.

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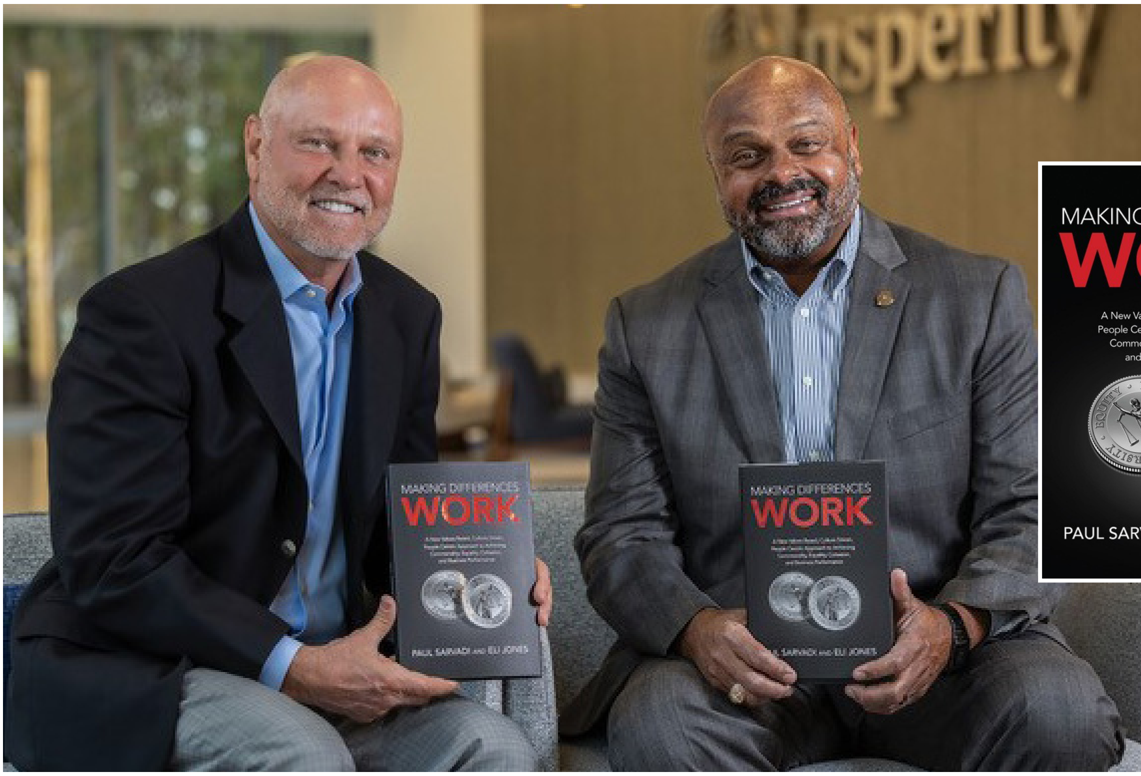

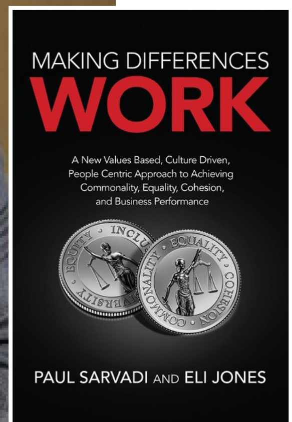

Making Differences Work: A People-Centric Approach to Business Performance

Raising the bar on diversity, equity, and inclusion in the workplace

BY PAUL SARVADI AND ELI JONES

Whoever said, "Sticks and stones may break my bones, but words will never hurt me," didn't know what they were talking about. Our words contain enormous power—power to heal and power to harm.

We believe there's a need to use words that propel us toward unity. Words like *diversity*, *equity*, and *inclusion* are good, but they fall short in describing the change we want to see to get results.

We're more convinced than ever that *commonality*, *equality*, and *cohesion* are the better terms to energize your company. We believe that commonality, equality, and cohesion (CEC) effectively raises the bar for diversity, equity, and inclusion (DEI). Having said that, we both want to make sure you know that we are not down on or in any way against the original unifying goals of diversity, equity, and inclusion. We are contrasting the terms to purposefully clarify the potential outcomes of using these terms in the workplace. Which terms are likely to be better to cause the behavioral changes we want to see and drive the performance we want to achieve?

DEI has served well as a good starting place. But we're interested in raising the bar. And the way we get started is by choosing better terminology.

CONTRASTING DEFINITIONS

DIVERSITY Focused on the condition of being different	**COMMONALITY** Focused on the shared purpose beyond differences
EQUITY The state of being fair or impartial Fairness or justice in the way people are treated	**EQUALITY** The quality or state of being equal The right of different groups of people to receive the same treatment
INCLUSION The action or state of including or being included within a group or structure	**COHESION** The action or state of forming a united whole or sticking together

Pushing Past Differences

We believe that diversity is a good thing. It's good to have diversity, to have variety, to have an assortment. But isn't there more to it than that? Is it just about having the right folks at the table?

You see, diversity, by definition, is only focused on the static condition of being different. The broader the diversity, the more important and necessary it is to introduce commonality.

Paul has a great example of finding commonality. "I was at an event with a friend who sat me down next to another friend of his, an Asian gentleman. It would've been easy for me to politely greet him, then simply engage in small talk about the weather, assuming we had so many differences that any kind of shared experiences would be improbable.

"What I ignored were my initial assumptions, and I leaned in to strike up a conversation. I quickly learned he was from Singapore. The more we talked, the more we realized how much we had in common, how much overlap there was in our life experiences. I started a business in 1986; he started a business in 1986. He had gone through some of the very same experiences in his company that I had gone through in mine. By the time the event was over, we had discovered a long list of shared experiences.

"Out of this happenstance meeting came real friendship, a friendship that continues to this day. And it's all because we saw our differences, our diversity, as just the starting point. It was our commonalities that brought us together so quickly."

That's what we want to harness by embracing commonality instead of settling for diversity.

Equity/Equality

Equity and equality share the Latin root *aequus*, meaning "even," "fair," or "equal." Both are powerful and emotional. The key to the best results is realizing equity is best applied to individuals, and equality is best applied to groups.

Eli has a story that demonstrates what we mean. "To me, the term equity is tied to the notion of tokenism. As a person of color, I don't want the opportunity if the only reason I was chosen was to be a token or to meet some kind of quota.

"I remember a time at Texas A&M when we were working on a program to increase the diversity of our faculty members. For more than twenty-five years I've been very involved in the 'PhD Project.' A&M's Mays Business School is a sponsor. This initiative encourages people of color to pursue PhDs and become faculty, and we mentor those people through doctoral programs and faculty ranks at universities across the country. In our talks as senior leaders of the university, one of our team members suggested setting aside some finances specifically for the purpose of recruiting and hiring professors of color.

"On the surface, that seemed like the exact right thing to do. But there have been times in my career when I've been told there was a separate position just for me *because I belong to a diverse group*, and I've turned those opportunities down cold. I wanted no part of a position I obtained that way. I wanted to be hired, not as a token, but because I've earned the right to be considered."

The equity argument is powerful because it's so emotional. But it's full of unintended consequences, tokenism being one. Being equitable is good, but only when it's applied individually.

In the workplace, coaching individual employees and helping them apply their strengths and address their specific weaknesses is the pathway to lifting the entire boat. Creating a specific development plan to help each person be the best they can be is equitable. This is the best application of equity in the workplace.

The problem is, when equity is the all-encompassing goal, everybody in the group is treated as if they all have the same deficiencies. This application of equity in a workplace many times introduces considerable frustration and becomes a drain of energy.

Equality must be the overarching goal, evaluating everyone in the group based on the very same criteria. This way the cream, your very best people, will always rise to the top.

Equity as properly applied ought to be used when helping every individual be the best they can be. Equity is one side of the coin; equality is the other. However, *equality* is a better and stronger term to drive *desired treatment and rewards* for individuals and groups.

From Inclusion to Cohesion

Paul has a great story that demonstrates why inclusion isn't always all it's cracked up to be.

"I'm the seventh child out of nine kids in my family, and I was quite a bit younger than my brothers. Our family lived in a small country town, and the neighborhood kids would come over to our house to play ball. The two oldest, who were team captains, would take turns picking the kids they wanted on their team until there was only one kid left—and that was usually me, the runt kid brother. For some reason, no one wanted me on their team! I'd go running into the house looking for justice, screaming, 'Mom!' She'd grab me, and we'd march right back out there to the backyard. 'Boys,' she'd yell. 'Get over here! You must include Paul.' Finally, they'd concede, but after Mom went back in the house, they'd always tell me, 'Get out there in the right field! And you don't get to bat!'

"The result was, they included me in the game, but inclusion was just the minimum they could do. They included me, but I was far from being appreciated. Far from being connected. Far from feeling any sense of belonging."

Creating inclusion in an organization is good, but it must be done correctly. When inclusion is forced, as opposed to it being part of a company's culture, and a natural outcome of that culture, it can create conflict and harsh feelings.

Now what about *cohesion*? It's not static, just sitting around in right field. Cohesion comes from the Latin word *cohere*, which means "to stick together." That's precisely what we're looking for!

We want more than just inclusion; we want relationships. That way, when some big challenge comes up, people don't start blaming each other. Instead, they get on with solving the problem, sticking together. Doesn't that sound like what we're trying to do?

In business, we exist to get work done. When businesses succeed, communities prosper, and that process works a lot better when we're in close agreement, engaged, and working well together. Inclusion sets you on the road to a sense of belonging, but cohesion helps you get there.

One dictionary we looked at gave this example: "Operational effectiveness depends on team cohesion and the maintenance of trust and loyalty." This is important because companies talk about trust and loyalty all the time. They like to say, "We're a trust-based service organization," or "We have a trust-based sales process."

The word *cohesion* implies an undergirding of trust and loyalty. So, the challenge is to find those elements in existing systems, then enhance social cohesion while minimizing exclusion.

Commonality, Equality, and Cohesion Defined

What do we mean by commonality, equality, and cohesion (CEC) when we use those words together? CEC is a values based, culture driven, people centric methodology. It's a new approach designed to go beyond a programmatic approach to achieve DEI in the workplace.

CEC has the same goal but uses a different approach, a different methodology. In the last thirty years, some things about DEI have worked, but many things have failed. Some have even diverted DEI in a way that causes friction and divisiveness. That's why we need to go beyond DEI. The goal of a CEC plan is to create a work environment where employees of all backgrounds come together and learn to value and appreciate each other.

This goal is an essential aspect of CEC. It's not just checking off a box on a form. No way. CEC defines how we interact with each other, how we treat one another, and how we care about each other. It describes how we value and appreciate one another. CEC aims for far more than just getting the right people around the table.

The goal of CEC is achieved by emphasizing what employees have in common (commonality), what opportunities and rewards all employees have (equality), and what brings people together (cohesion). Does that mean we're going to ignore our differences? Absolutely not. Our differences are readily apparent, and that's part of the joy of life, isn't it? But we don't just focus on our differences. What's really exciting is when we can get beyond our differences and dig deeper to find our commonalities.

Do words matter? Of course, they do. Diversity, equity, and inclusion represent a logical starting place, but based on definitions, commonality, equality, and cohesion are far more worthy goals. The bottom line is that commonality, equality, and cohesion have a clearer and stronger impact on desired outcomes than diversity, equity, and inclusion by itself. **MN**

Paul Sarvadi is the co-founder, chairman, and CEO of Insperity, a $5 billion company that helps businesses achieve success by making the most of their human capital. Eli Jones is the Lowry and Peggy Mays Eminent Scholar and Professor of Marketing at Texas A&M University. This article is excerpted from their book Making Differences Work *(Insight Publishing Group, 2024).*

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Linda L. Price
Professor of Marketing and Dick and Maggie Scarlett Chair of Business Administration, University of Wyoming

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Senior Associate Dean and Professor of Marketing and Behavioural Science, University of British Columbia

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2024 Robert Lusch Early Career Research Award

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WINNER:

Laura Colm
Associate Professor of Practice in Marketing and Sales, Bocconi University

Winning Article: "Dynamic Governance Matching in Solution Development"*

** Colm, Laura, Andrea Ordanini, and Torsten Bornemann (2020), "Dynamic Governance Matching in Solution Development," Journal of Marketing, 84 (1), 105–24.*

FINALISTS:

Dionne Nickerson
Assistant Professor,
Indiana University

Tianxin Zou
Assistant Professor,
University of Florida

LEARN MORE ABOUT THE WINNER AND FINALISTS

2023 John A. Howard/AMA Doctoral Dissertation Award

With origins in the 1960s, this award recognizes excellent marketing doctoral dissertations.

WINNER:

Ozge Demirci
Postdoctoral Fellow, Harvard University

Winning Dissertation: "Can Gender-Blind Algorithmic Pricing Eliminate the Gender Gap?"

LEARN MORE ABOUT THE WINNER

2024 Erin Anderson Award for an Emerging Female Marketing Scholar and Mentor

This award recognizes emerging female marketing scholars and mentors while honoring and celebrating the life of Erin Anderson. Erin was a widely respected mentor and scholar whose research made significant contributions to the marketing discipline.

WINNER:

Alixandra Barasch
Associate Professor, University of Colorado Boulder

LEARN MORE ABOUT THE WINNER

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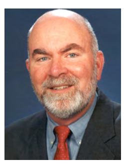
Harald van Heerde
University of New South Wales



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Texas Christian University

Venkatesh Shankar
Southern Methodist University

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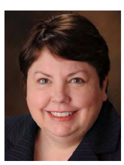
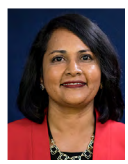


Lisa Scheer
University of Missouri



Vanitha Swaminathan
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This award recognizes books that have had a significant impact in marketing and related sub-fields.

WINNER:

Using Behavioral Science in Marketing: Drive Customer Action and Loyalty by Prompting Instinctive Responses

Nancy Harhut
Co-Founder and Chief Creative Officer,
HBT Marketing

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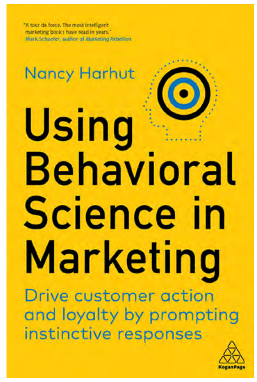

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Do Acquisitions Harm the Acquired Brand?

Upholding a brand's unique values can reduce negative consumer reactions

BY ALESSANDRO BIRAGLIA, CHRISTOPH FUCHS, ELISA MAIRA, AND STEFANO PUNTONI

When Unilever acquired GROM, an Italian gelato company, 83% of consumers polled by a newspaper described the acquisition as "bad news." This reduced consumer interest led to the closure of several GROM retail outlets, including the ice cream maker's first store, four years after the acquisition. Similarly, consumer ratings for The Body Shop, a cosmetic brand, plummeted after L'Oréal acquired it.

Companies often engage in mergers and acquisitions to expand their portfolio and generate growth—the global value of acquisitions amounted to $2.3 trillion in 2019, according to JP Morgan—but there is plenty of anecdotal evidence suggesting that brand acquisitions can potentially generate negative reactions among consumers. Yet little is known about when and why brand acquisitions might trigger these negative reactions.

In a new *Journal of Marketing* study, we show how consumers develop negative reactions towards acquired brands in terms of lower brand choice and reduced purchase likelihood. We find that, across product categories, consumers often see an acquired brand as having compromised the authentic values upon which it was founded. This perception is triggered not only when a big company acquires a smaller one, but also when the sizes of the acquirer and acquired brand are comparable. Furthermore, the negative effect appears even in the case of partial acquisition (for example, 15% of ownership).

Conditions that Attenuate the Negative Effect of Acquisitions

Across ten studies using different methods, research designs, product categories, and brands, we demonstrate that negative brand reactions can be explained by the perceived loss of a brand's unique values. Building on this values authenticity account, we find that the negative effect of acquisitions depends on the acquired brand's values, brand age, leadership continuity, and the alignment between acquiring and acquired brands. The conditions that attenuate the negative effect of acquisitions are as follows:

- Consumers develop a lower purchase intention when a previously acquired brand is acquired again by another company, as the original values may have already been diluted during the first takeover.
- Consumers seem less concerned when the original leadership team remains in charge after the acquisition because this may act as a reassurance that the authentic values are retained.
- Consumers react less negatively if the values of the acquirer brand align with those of the acquired brand. For example, the negative effect is mitigated if a brand that produces sustainable products is acquired by a brand with sustainability as a core value.
- Consumers react less negatively when the acquired brand has been established with a strategic orientation towards growth. In these cases, they don't see the takeover as a loss of the brand's authentic values. For instance, many start-ups are founded with the desire to get bigger and many communicate this in their statements (e.g., Bill Gates often mentioned his vision to have a "PC on every desk in every home"). Sometimes founders even invoke growth values as the reason for selling the company (e.g., the founder of Dot's Pretzels explained the acquisition by Hershey's in November 2021 by saying she had "built the business with the idea of sharing them with everyone").
- Consumers react less negatively if a young brand is acquired. Consumers consider the acquisition of a younger company less disruptive of values authenticity. Conversely, for older companies with a set of values crystallized over decades—or even centuries—we find a more severe negative effect.

Managerial Implications

BEFORE THE ACQUISITION:

- Managers should examine the target brand's communications and identify whether the vision statement, advertising, social media accounts, and other forms of branding contain any references to growth or reaching a broader range of customers. Such cues may make the acquisition process more favorable in the eyes of consumers. Targeting brands aligned with the acquiring company's core values and making this alignment salient can benefit the acquisition process.
- Similarly, scouting for young, promising brands could prove beneficial, potentially giving the acquirer an aura of patronage and a reputation for investing in nascent businesses.

AFTER THE ACQUISITION:

- Managers should carefully plan how to effectively frame acquisition announcements. If the founders/original owners will not be involved after the acquisition, managers may want to consider retaining long-term employees and highlighting this in communications.
- When the acquirer has values that align with those of the acquired brand, highlighting this can boost perceptions of the acquisition and nurture the acquired brand.
- If there is no strong alignment of values between the acquirer and the acquired brand, we suggest managers focus on other aspects that can benefit from the acquisition. For example, an acquirer could highlight an increase in R&D facilities or a potential increase in product quality. MN

READ THE FULL ARTICLE
Alessandro Biraglia, Christoph Fuchs, Elisa Maira, and Stefano Puntoni, "When and Why Consumers React Negatively to Brand Acquisitions: A Values Authenticity Account," *Journal of Marketing*.

Companies Need to Answer "What to Sell" Before Deciding "How to Sell"

BY KELLILYNN M. FRIAS, MRINAL GHOSH, NARAYAN JANAKIRAMAN, DALE F. DUHAN, AND ROBERT F. LUSCH

Apple's co-founder Steve Wozniak has suggested that the company's initial plan was to sell circuit boards incorporating its microprocessor chips. However, that ambition took a turn when Steve Jobs and Wozniak created the first personal computer in 1976, the Apple I. With its successor, Apple II, Apple became the pioneer in the personal computer industry.

Plenty of research has focused on the new product development process and commercialization. However, one fundamental decision regarding technology commercialization remains relatively unexplored:

In what form do we sell the innovation in the market? A recent article in *Wired* examines the need for electric vehicle companies to reassess their designs and consider whether the battery should be modularized. These companies are rethinking their designs to reduce the wasted space and weight created by modularized batteries. To alleviate this issue, companies like BYD develop and sell batteries and vehicle components as well as cars, while CATL, BYD's biggest competitor, sells batteries integrated into the vehicle chassis.

In a new *Journal of Marketing* article, we explore the "what to sell" question that companies and investors need to answer regularly. For example, when entrepreneurs pitch their ideas on the popular television series Shark Tank, both Sharks (the investors) and entrepreneurs must identify and agree on what the venture is trying to sell. Before they decide how to position products or services relative to competitors, developers at both established firms and new ventures must consider whether their innovations should be sold as:

1. know-how (i.e., intellectual property),
2. components (i.e., intermediate goods), or
3. a system (i.e., final goods).

This product-form strategy, or PFS, decision is deeply embedded within many firms' product development and commercialization processes. For instance, when ventures seek funding from investors or when firms go public through an initial public offering, they must show their revenue model (i.e., the market, the customers, the offering), which reflects the PFS. The PFS decision is linked to other fundamental questions of interest to marketers, including "Who is our direct customer?" and "Who are our direct competitors?"

For instance, for a company selling baseball bats embedded with sensor technology—with the customers being players, coaches, and clubs—branded bat manufacturers (e.g., Louisville Slugger) are the direct competitors. In contrast, if the firm sells the know-how or a component device, branded bat manufacturers could be the customers. For early-stage ventures seeking to enter a market for the first time, getting their go-to-market strategy "right" in terms of the product-form and the associated revenue model may be critical for their survival.

How Firms Make the Product-Form Decision

Using data from the following sources:

- interviews with entrepreneurs and angel investors,
- investment proposals from angel networks,
- pitch transcripts from the U.S.-based version of Shark Tank, and
- experimental scenarios of investment proposals,

we find that the resulting choice of PFS is due to three primary drivers:

- the difficulty of technology mix-and-match,
- the availability of marketing capabilities to sell the technology to end users, and
- the difficulty of safeguarding the know-how against imitation.

Our research discovers that when technology is difficult to mix-and-match and safeguard, decision makers will choose to sell systems over components and components over know-how. Marketing capabilities will also increase the likelihood of marketing systems over components and components over know-how. We also find key interactions among these drivers on the product-form decision.

These findings suggest that considering the technology market and the firm's ability to protect its technology (against theft by supply chain members and competitors) is critical and that strategic deliberations about what to sell include examinations of the environment and the firm's own capabilities. Unlike much of the literature about business models that often conflates the "what to sell" and "how to sell" questions for business strategy, we find that PFS is a unique decision that comes before the "how to sell" question is answered.

Product managers, entrepreneurs, and angel investors need to consider how these alternative product forms may increase the costs associated with selling one product form over another. Entrepreneurs need to assess the value angel investors bring and leverage these resources into their product-form options. Additionally, managers at established firms that already have multiple product lines and who are mulling a market entry decision for a new technology may need to consider their commercialization deliberations at the technology level and choose the product form that is the most desired for that technology, regardless of how their other product lines are strategically positioned.

Thinking back to the initial example, if Apple had decided to sell its microprocessor chips (a component) before settling on marketing its iconic Apple I (a system), the evolution of its development and marketing would have changed its customers and competitors as well as its potential to change the industry structure. **MN**

READ THE FULL ARTICLE

Kellilynn M. Frias, Mrinal Ghosh, Narayan Janakiraman, Dale F. Duhan, and Robert F. Lusch, "A Theory of Product-Form Strategy: When to Market Know-How, Components, or Systems?" *Journal of Marketing*.

Nonprofits: Hold Creative Events to Engage Donors and Unlock More Giving

BY LIDAN XU, RAVI MEHTA, AND DARREN DAHL

How to organize the perfect fundraising event? Charitable organizations currently use a variety of strategies and tactics to engage potential donors, all with the goal of enhancing donation behaviors. It is not surprising to see that golf tournament, ice-cream social, or sip and paint events are organized by different charities representing different causes. One question that arises is what types of activities are more efficient and are more likely to help the organizations collect more donations. A new *Journal of Marketing* study aims to answer this important question and finds that engaging potential donors by increasing their participation in creative activities helps!

Using different types of creative activities, such as designing a creative t-shirt or decorating cookies, we find that those who participate in such activities are more likely to donate than those who participate in similar, but non-creative, versions of the activities. For example, in one of our studies, we find that those who are asked to decorate a cookie as creatively as possible are more likely to donate to the charitable organization than those who are simply asked to copy a given cookie design.

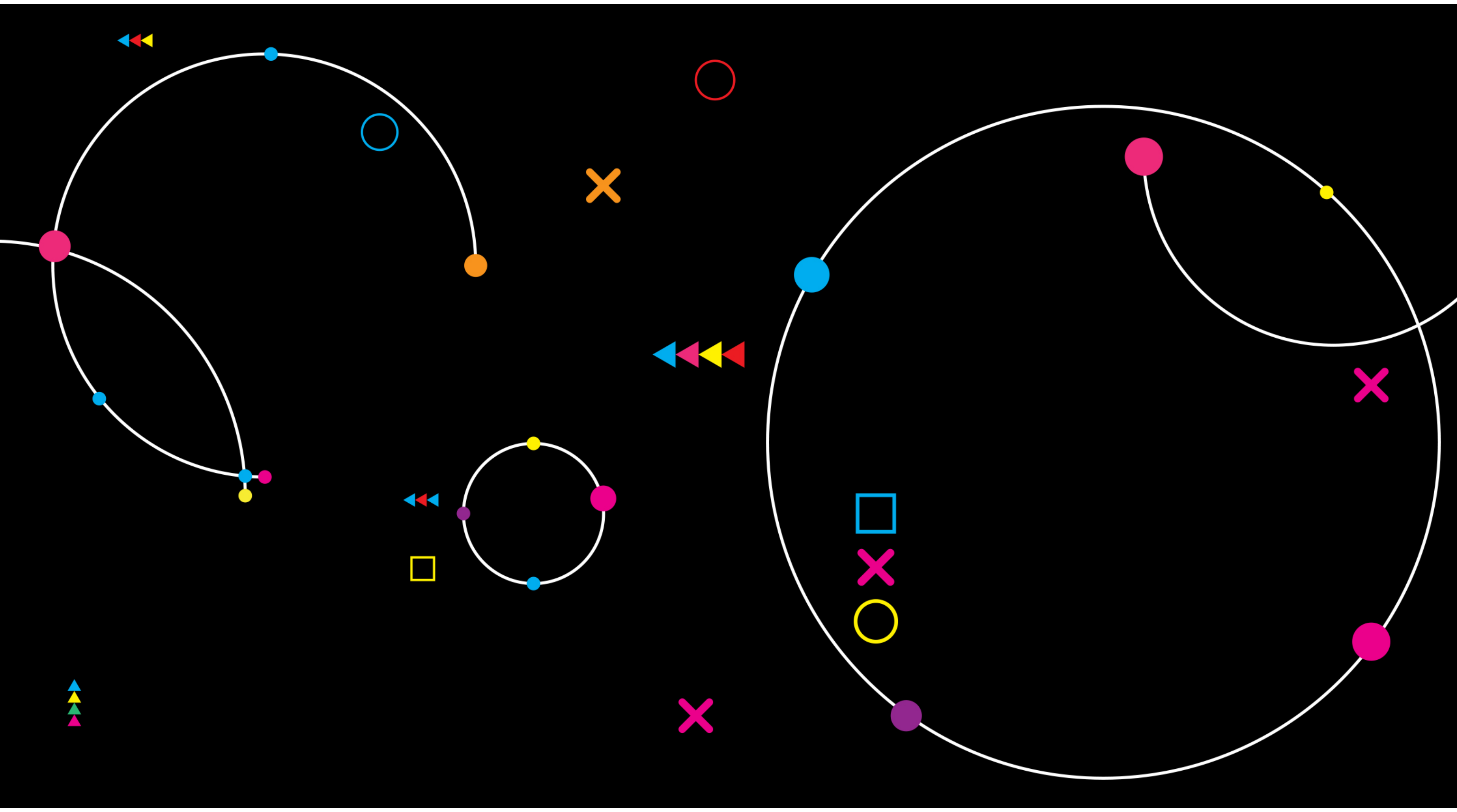
Our findings show that incorporating creative activities in fundraising campaigns and charity events can be a viable marketing strategy for nonprofit organizations to enhance donation behavior. Charitable organizations can organize such events in person or use their social media platforms. For example, they can invite potential donors to attend a painting event, organize a cookie decoration event, or participate in other activities that engage them, physically or mentally, to produce something novel and creative.

While offering potential donors creative outlets does not always yield creative outcomes, that does not matter. As long as donors participate in an activity to create something novel and creative, they demonstrate higher donation behavior. It is engaging in the creative process that matters! When the potential donors participate in creative activities, they feel a sense of freedom and autonomy, which makes them feel happier and more charitable.

One tip for charitable organizations that want to incorporate such activities in their fundraising event is to encourage participants to be as creative as possible, but not to emphasize outcomes or provide instructions for how they should complete the activity. For example, when organizing a painting event, some charities mention that step-by-step instructions will be provided and everyone will paint the same picture. We suggest that allowing the freedom to paint anything and to be creative in the process might be a better strategy.

Using the findings from our study, managers can think outside the box and come up with different types of creative activities to engage potential donors. While inviting potential donors to participate in any type of activity that requires creative engagement might make the potential donors feel more engaged, not all activities are created equal and some might be better than others. For example, organizing a fundraising gala or event can be costly, but using this type of activity may be more budget friendly. As an instance, one interesting idea we found online is a "tie-dye party" where organizations provide white T-shirts and tie-dye materials so that participants can create their own tie-dye T-shirts. These T-shirts can then be used for live auctions. In addition, participating in this activity makes an individual more likely to donate to the charity, creating multiple streams of donation contributions. We hope our findings can help nonprofit organizations and their donors create a better world together. **MN**

READ THE FULL ARTICLE
Lidan Xu, Ravi Mehta, and Darren Dahl, "Leveraging Creativity in Charity Marketing: The Impact of Engaging in Creative Activities on Subsequent Donation Behavior," *Journal of Marketing*.



Brand Extensions Often Fail—Here's How Companies Can Set Them Up for Success

BY CHENMING PENG, TAMMO H.A. BIJMOLT, FRANZISKA VÖLCKNER, AND HONG ZHAO

When a company uses one of its established brand names on a new product or category, it is introducing a brand extension. For example, Google began as a search engine, which continues to be its core focus, but it also has a variety of products such as Google Cloud and Google Play. Almost 70% of new products in the consumer packaged goods market in the U.S. are brand extensions.

Managers expect that introducing a new product under an existing brand name can reduce introduction costs, lower the risk of failure, and increase firm profit. However, only 30% of all brand extensions in the U.S. consumer packaged goods market survive the first two years—a success rate similar to new brands. Given this high failure rate of brand extensions, it is vital for marketers to understand what drives the success of brand extensions.

In a new *Journal of Marketing* study, we offer insights into the drivers of brand extension success. We explore how companies can devise more successful brand extension strategies in terms of contextual factors (parent brand, extension, communication, and consumer factors) and the research methods used.

Prior research has inferred that parent brand equity and extension fit are the two key success drivers. However, empirical findings are mixed. Drawing on signaling theory, categorization theory, and a large database spanning the years 1990–2020, we address these mixed findings through a meta-analysis to develop empirical generalizations.

Pay Attention to Parent Brand Equity and Extension Fit

Our work provides three key findings that will benefit chief marketing officers.

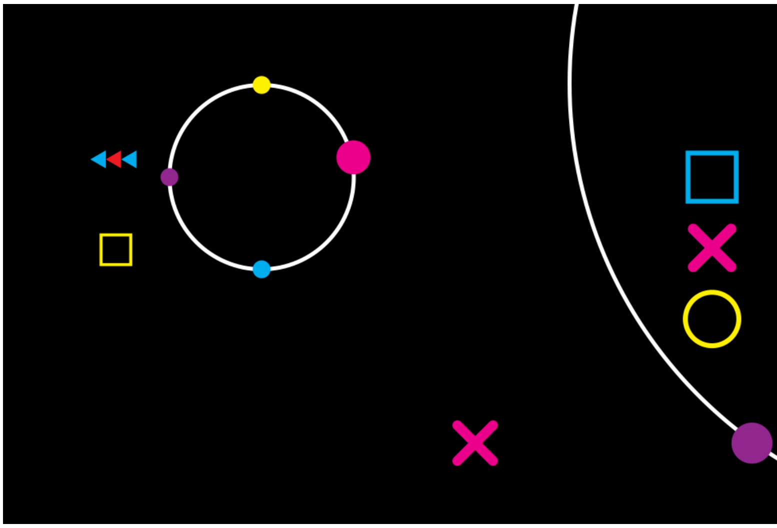
1. There is a 60.6% probability of a more positive response to a brand extension if parent brand equity improves. Similarly, there is a 61.4% probability of a positive response to a brand extension if extension fit improves. Extension fit is defined as consumer perceptions of the similarity and congruity between the parent brand and the extension product.

   We recommend that managers leverage both parent brand equity and extension fit to enhance brand extension success. However, managers should pay more attention to extension fit because it is slightly more influential than parent brand equity.

2. Managers should pay attention to the differential effects of various dimensions of parent brand equity and extension fit. For example, when introducing an extension product, creating and highlighting similarities in product features (vs. usage occasions) and images of the parent brand and the extension is more beneficial.

   We find that parent brand equity can strengthen the positive impact of extension fit on brand extension success and vice versa. Therefore, managers should consider parent brand equity and extension fit simultaneously. We also find that parent brand equity has a positive (though small) effect on brand extension success even if the extension has a poor fit. Similarly, extension fit exerts a positive (though small) effect on brand extension success even if the extension has a low parent brand equity. If the parent brand does not have high equity, brand extensions can still be a viable strategy for launching new products as long as the extension fits well with the parent brand; an extension that does not have a good fit can still be successful as long as the parent brand is strong.

3. Managers should take a broader perspective on brand extension strategies by considering contextual factors related to the parent brand, the extension product,



   communication, and consumers. For example, managers of brands whose existing core products are services should particularly emphasize the equity of the parent brand (and its dimensions) when introducing an extension product.

   Besides the contextual factors, we also investigate the potential moderating effects of research method factors. For example, in our large database covering 26 countries, we do not find evidence of a moderating role of the region in which the data were collected, thereby contributing to the debate on whether Eastern cultures have a different way of evaluating brand extensions than Western cultures.

In summary, we develop empirical generalizations and findings about the main effects, relative importance, and interaction effect of the two key drivers of brand extension success: parent brand equity and extension fit. We suggest how to devise more successful brand extension strategies in terms of five groups of moderators: contextual factors (parent brand, extension, communication, and consumer factors) and research method factors. We hope that this will prove helpful to improving the performance of brand extension strategies. MN

READ THE FULL ARTICLE
Chenming Peng, Tammo H.A. Bijmolt, Franziska Völckner, and Hong Zhao, "A Meta-Analysis of Brand Extension Success: The Effects of Parent Brand Equity and Extension Fit," *Journal of Marketing*.

Research Insights: Marketing Strategy

Quick takes from AMA journals research

BY T.J. ANDERSON

Should You Feed the Trolls? How Toxic Social Media Comments Can Increase Product Usage

What types of content attract toxic comments? Are toxic comments always harmful to a brand? This research explores how marketer-generated content (i.e., posts created by companies) is associated with toxic comments in social media communities. Researchers found that posts about product quality and posts attempting to create a sense of belonging to a community were the most likely to result in toxic comments. The researchers also found that toxic comments are associated with greater product usage. Perhaps counterintuitively, this means that companies might actually be benefiting from toxicity on social media, as consumers who follow the product receiving toxic comments become more engaged. In addition, it's possible that toxic comments get greater online engagement, which in turn shows the original post to a larger sample of social media users, exposing the product to new potential consumers. Overall, marketers can be open to some toxicity on social media and craft content designed to avoid or promote toxic comments accordingly.

WHAT YOU NEED TO KNOW

- Posts about product quality and creation of social community lead to more toxic comments.
- Toxic comments increase product usage.
- Toxic comments may lead to more product exposure.

READ THE FULL ARTICLE

Marcelo Vinhal Nepomuceno, Hooman Rahemi, Tolga Cenesizoglu, and Laurent Charlin (2023), "Should We Feed the Trolls? Using Marketer-Generated Content to Explain Average Toxicity and Product Usage," *Journal of Interactive Marketing*, 58 (4), 440–62.

When Do Consumers Prefer Newer Brands over Established Ones?

Consider a consumer choosing between two brands of chocolates: Suchard (established in 1826) and Max Chocolatier (established in 2009). Which brand are they more likely to prefer? Now consider the consumer choosing between two virtual reality headsets: Valve (established in 1996) and

Avegant (established in 2012). Which brand is preferable? Previous research suggests that consumers prefer older, more established brands, but is this always the case? New research takes a contingent perspective to examine how consumers' preferences are affected by their expectations of innovativeness. Researchers analyzed Amazon sales data and conducted seven experimental studies showing that consumers' preference for older brands decreases with their expectations of category innovativeness. The rationale is that with expectations of innovativeness, consumers place less importance on consistency-related brand traits (e.g., stability, reliability) and more on excitement-related brand traits (e.g., dynamic, adventurous). Because older brands are associated with consistency, preference for older brands diminishes with expectations of innovativeness.

WHAT YOU NEED TO KNOW

- Older brands' advantage declines as expectations of product innovativeness increase. These expectations can be defined as the extent to which a product category is believed to have changed in the past and is expected to change in the future.
- This decline is stronger for older brands that do not have a well defined, established image.
- Managers of younger brands should emphasize the innovativeness in their products and/or nudge consumers to seek uniqueness.

READ THE FULL ARTICLE

Yaeeun Kim and Joydeep Srivastava (2024), "The 'Achilles Heel' of Established Brands: The Effect of Brand Age on Consumers' Brand Choice," *Journal of Marketing Research*, 61 (2), 290–306.

Optimizing Global Branding by Combining Local and Foreign Elements

Founded in 2013, the Beijing-based Chinese fashion brand, Heaven Gaia, has been praised as the "Most Valuable Growth Brand in the Industry" and a "Fashion Pioneer Brand." Heaven Gaia attributes much of its success to its ability to combine Chinese art and Western techniques of expression, resulting in a positive brand image that is both "restrained and fashionable." Drawing on the results of seven studies conducted in China and the United States, researchers show that global brands in many different consumer-facing industries can similarly benefit by using balanced local and foreign elements in the same marketing campaign/material, a phenomenon known as the "coalescence effect." The resulting increase in perceived brand globalness can maximize the impact of a global firm's branding efforts.

WHAT YOU NEED TO KNOW

- Global brands often struggle with branding in international markets.
- Brand positioning that is perceived high in globalness is beneficial for branding purposes.
- Building a brand image with balanced local and foreign branding elements leads to more favorable brand and product evaluations compared to either local or foreign appeals alone.

READ THE FULL ARTICLE

Miao Hu, Jie Chen, Dana L. Alden, and Qimei Chen (2023), "The Coalescence Effect: How a Combination of Foreign and Local Appeals Enhances Customer Engagement Through Perceived Brand Globalness," *Journal of International Marketing*, 31 (1), 49–68.

When Less Is More: Limiting Message Views Can Increase Consumer Engagement

Snapchat, Instagram, Facebook Messenger, and WhatsApp have features that can prevent users from viewing content repeatedly, yet common marketing wisdom says that repetition boosts the impact of a message. What does this mean for social media advertisers? Because of the risk of missing information, consumers pay more attention to content that can be viewed only once, the researchers hypothesize. Through ten online studies, exploratory eye-tracking data, and a Facebook A/B study, they find that making content available only once can increase audience engagement. The findings have practical relevance for campaign managers choosing an ad platform, for social media users sharing their thoughts, and for online educators deciding whether to record their lectures. The researchers also note a risk: Communicators typically want to capture their audience's attention, but if you need to share negative information, take care! Using a platform that limits message views might seem like a good idea, but it could backfire by increasing attention and forming a negative image.

WHAT YOU NEED TO KNOW

- When a message is available for a short time only, consumers are more concerned about missing it, so they pay more attention to it, view it longer, and focus more closely on the relevant information.
- As a result, consumers have better content recall and more positive attitudes, and sponsored content placement on social media may be more efficient.
- Marketers can communicate information more effectively by preventing consumers from viewing it repeatedly.

READ THE FULL ARTICLE

Uri Barnea, Robert J. Meyer, and Gideon Nave (2023), "The Effects of Content Ephemerality on Information Processing," *Journal of Marketing Research*, 60 (4), 750–66.

Becoming TikTok Famous: How Global Brands Engage Emerging-Market Consumers

Social media marketing can be a challenge for global brands expanding into emerging markets. With the rise of social media marketing on TikTok, how can managers increase likes, shares, and comments on their videos? The researchers study three global brands with high-involvement products—Samsung, Honda, and Toyota—as they target the Indonesian market. Videos that portray dancing were found to boost engagement, while animations, music, and sounds do not play significant roles. Global brands like Samsung, Honda, and Toyota also need to be careful when embedding language in their TikTok videos: While using English or a mix of English and local languages can generally amplify social media engagement, the researchers found that using English or mixed languages can lower engagement for posts that show dancing or product reviews. Therefore, global high-involvement brands need to be careful when embedding language in their TikTok videos for emerging markets and carefully consider the content of the video.

WHAT YOU NEED TO KNOW

- Global brands selling high-involvement products like smartphones and cars in emerging markets can share customers' product reviews on TikTok to increase likes, shares, and comments.
- In this context, videos that show dancing are good for engagement, while animation, music, and sound do not have a noticeable impact.
- Using English or a mix of English with local languages usually increases engagement with TikTok videos, but decreases engagement for videos that show product reviews or dancing.

READ THE FULL ARTICLE

Risqo Wahid, Heikki Karjaluoto, Kimmo Taiminen, and Diah Isnaini Asiati (2023), "Becoming TikTok Famous: Strategies for Global Brands to Engage Consumers in an Emerging Market," *Journal of International Marketing*, 31 (1), 106–23. MN

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