Dear Colleague,

I am pleased to present the research accomplishments of faculty members in the Department of Marketing for the academic year 2011-2012.

As you know, the building process for the current Department of Marketing started in 2001 and the department was officially created effective July 1, 2005. As we officially complete seven years as a new department in June 2012, I am immensely proud of our accomplishments in curriculum development, student focus, career advising, internal visibility, and external reputation. As of July 2012, we will have ten full time faculty members – the largest number of marketing faculty in recent Lehigh history. As Lehigh celebrates 40 years of undergraduate women at Lehigh, the marketing department will have its first tenured woman faculty colleague in July 2012.

As you will read in the following pages, my colleagues are committed to addressing exciting research questions that expand the frontiers of knowledge in managerially relevant domains. They incorporate knowledge areas from several other disciplines and the impact of their research also crosses disciplinary boundaries. We seek out areas of common interest and potential collaboration with colleagues from other departments at Lehigh and beyond.

I want to extend a warm welcome to David A. Griffith who will start as the department chair on July 1, 2012. I am confident that the department’s upward trajectory will continue and be strengthened under David’s leadership.

With best regards,

K. Sivakumar
Arthur Tauck Chair and Professor of Marketing
Department of Marketing

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BOOK CHAPTERS, REPORTS, AND MAGAZINE ARTICLES


CONFERENCE PRESENTATIONS (PLEASE SEE ABSTRACTS LATER IN THE REPORT)


Nevena T. Koukova (Co-authors: Jason Kuruzovich, Shu Han and T. Ravichandran) (June 2012), “Does a Portfolio of Hierarchically Related Technology Products Improve Customer Outcomes?” INFORMS Marketing Science Conference, Boston, MA.


CONFERENCE/SESSION ORGANIZATION

K. Sivakumar Organizer, Chair, and Moderator of the special session on “Marketing Professorate of the Future: Landscape and Strategies” at the Academy of Marketing Science Annual Conference, May 2012.

ABSTRACTS OF PUBLISHED/ACCEPTED PAPERS


The saddle is a sudden, sustained, and deep drop in sales of a new product, after a period of rapid growth following takeoff, followed by a gradual recovery to the former peak. This paper tests for the generalizability of the saddle across products and countries and for three rival explanations: chasms in adopter segments, business cycles, and technological cycles. The authors model both boundary point of the saddle: start of the sales drop and recovery to the initial peak, using split-population models. Empirical analysis of historical sales data from 10 products across 19 countries show that the saddle is fairly pervasive. The onset of the saddle occurs in 148 product-country combinations. On average, the saddle occurs 9 years post-takeoff, at a mean penetration of 30%, lasting for 8 years with a 29% drop in sales at its depth. Results support explanations of chasms and technological cycles for information/entertainment products and business cycles and technological cycles for kitchen/laundry products. The authors discuss findings, contributions, and implications.


Given a choice between a product with superior sustainability characteristics (and average functional performance) and a product with superior functional performance (and average sustainability characteristics), which will consumers choose and what emotions mediate this choice? Our research suggests that consumers presented with such a trade-off will tend to choose the product with superior functional performance over the product with superior sustainability characteristics, due to feelings of distress, until a minimum threshold of functional performance is achieved. Our research also shows that choice given this trade-off depends upon the degree to which consumers value sustainability which, in turn, is mediated by consumers’ feelings of confidence and guilt. Further, based on an understanding of the emotions mediating choice in this context, we demonstrate how the effective use of product aesthetic design can improve the relative choice likelihood of sustainable products. Specifically, we demonstrate that superior aesthetic
design has a disproportionately positive effect on the choice likelihood of sustainability advantaged (vs. performance advantaged) products due to the effect that superior aesthetic design has on overcoming the potential lack of confidence in sustainable products.


This paper delves at better understanding the relationship between web site design characteristics and revisit intention by examining the role of 1) satisfaction and 2) consumer motives, thus providing managers with strategies that they can adopt to secure revisiting consumers at their web sites. The results indicate that for goal-directed consumers web site content and customization play a significant role in influencing their satisfaction and revisit intentions than convenience. However, for experiential consumers, content and convenience play a more significant role in satisfaction and revisit intentions than customization options at a web site. This paper suggests that marketers interesting in revisiting consumers should focus on web site characteristics that lead to satisfaction during their web visit. Also, marketers need to pay attention to the consumer motives at the web site, so that the web site characteristics can be tailored to the motives and would ultimately lead to positive consumer outcomes.


This research examines how consumers respond to different shipping fee structures. Focusing on two of the most common shipping fee structures, flat rate shipping and threshold based free shipping, we first demonstrate that offer evaluations are less (more) favorable with threshold based free shipping when order value is below (above) the free shipping threshold compared to flat rate shipping. However, when an alternative more important referent is present, the effect of shipping fee structure is attenuated. Second, we show that although perceptions of shipping fees as a profit generator are higher (lower) under threshold based free shipping relative to flat rate shipping for order values below (above) the free shipping threshold, providing a justification for the shipping fee by explicitly linking it to delivery costs encourages consumers to view the shipping fee as a cost of doing business rather than as a profit generator, thus raising offer evaluations.


Technological advances enable companies to offer information products such as books, music and movies in electronic formats, in addition to the traditional physical formats. Although one format may appear more useful and be preferred, consumers may be enticed to consider the unique attributes of all formats if they deliver equally well on salient attributes. The authors investigate the impact of usage situations, relative attribute quality levels of the formats, and their interactions on the perception of the formats as perfect or imperfect substitutes or complements, and the purchase likelihood of the bundle of formats. The studies demonstrates that when formats have equivalent
quality on a salient attribute consumers perceive the formats as more complementary, and are more likely to buy the bundle. This happens because consumers consider more usage situations for the formats and see the bundle as providing greater flexibility for future usages.


We empirically examine how operations managers deal with time pressure, and its impact on supply chain relationships and knowledge sharing behaviors. Results indicate that employing time pressure coping mechanisms decreases knowledge sharing behaviors between buyers and suppliers. Further, relationship magnitude moderates the effect of time pressure copying mechanisms on collaborative knowledge sharing behaviors.


Increasing globalization and the rapid growth of information technologies, including the Internet, have resulted in drastic changes in international activities of companies. Once limited to manufactured goods, currently, global outsourcing encompasses a wide variety of knowledge-based services, such as accounting, financial services, taxation, customer service, information technology, engineering drawings, human resources, research and development (R&D), data processing, and sales. The domain of outsourcing knowledge-based services is the focus of this article. Moving beyond the inevitability of global outsourcing, this research takes the perspective of the outsourcer and focuses on managing its transition to providers in the context of innovation. In addition to delivering projected cost benefits to outsourcers, effective transition management can facilitate the generation of innovations. This research attempts to extend the current academic research on global outsourcing in three ways: (1) It offers a framework for understanding the transition process in outsourcing and its relationship to innovation; (2) it takes a broader perspective of outsourcing, including globalization, knowledge-based services, and core activities of the firm; and (3) using a parsimonious set of theoretical concepts based on control theory, it develops several research propositions to clarify the linkages between variables. Based on our theorizing, outsourcing top management should ask two questions when planning outsourcing of knowledge-based services to generate innovations in a globalized world. These two questions are (1) How close is the task to our core competence? And (2) How much tacit knowledge is involved in doing the outsourced task? Next, managers must identify global providers and then spend considerable thought in operational execution of the transition of the task for that is the only time that both complete teams will work together. For tasks that are close to core competence rigid-explicit behavioral controls should be put in place; however for tasks that have high tacit knowledge content, high norms based relational control would be more effective. These different types of controls would lead to different innovation outcomes. Rigid-explicit behavioral controls would produce incremental innovation while relational-norms based controls would encourage radical innovation.

We examine the relationship between national cultural distance and equity participation using an analysis of a sample of more than 100,000 cross-border acquisitions from 1976 to 2008. We find that cultural distance has a curvilinear (U shaped) relationship to equity participation: Acquiring firms make large equity acquisitions at both low and high cultural distances and low equity acquisitions at moderate cultural distances. In addition, we find that industry relatedness of acquisitions positively moderates the relationship between cultural distance and equity participation: Acquiring firms take a higher equity stake for a given cultural distance if the acquisitions are in a related industry. Our findings offer important insights into firms’ market entry behavior and provide guidelines for managers about entry strategies.


Consumer innovativeness is a critical factor that determines the success of new product introductions. An important but underexplored antecedent of consumer innovativeness is time orientation. In this article, we propose a conceptual model of the relationships among time orientation, consumer innovativeness, and consumer innovative behavior. We further examine the moderating role of several important product characteristics on these relationships. These characteristics include (1) newness of the product, (2) product complexity, (3) network externalities, and (4) the utilitarian versus expressive nature of the product. We develop a series of research propositions to explicate the relationships in our conceptual model. We delineate the substantive and managerial implications by linking the variable through a comprehensive framework and provide future research directions.


The past few decades have witnessed a significant increase in the number of cross-border strategic alliances among firms. We focus on the role of alliance expertise (alliance experience and diversity of partners) and alliance governance (horizontal vs. vertical alliances and joint venture vs. other alliances) in global innovation generation. We also examine the effect of these variables on the financial performance of the focal firm. The conceptual model is tested using an empirical analysis of cross-border alliances formed by U.S. pharmaceutical companies from 1985 to 2008. We find that while prior alliance experience has a positive association with global innovation generation, diversity of partners has a negative relationship. In addition, whether the alliance is horizontal or vertical has no bearing on the innovation generation, but joint ventures are associated with more global innovation generation than other types of alliances. Finally, as global innovation
generation increases, financial performance increases up to a point but thereafter exhibits a negative relationship.


This paper develops and tests a theoretical model of managerial decisions involving cross-border acquisitions. We propose a model that seeks the optimal level of cultural distance between the host and the home country and the market potential of the host country that maximizes an acquirer’s control—measured as equity participation—over the target firm in cross-border acquisitions. We also evaluate the sensitivity of the optimal solution changes for changes in model parameters. We illustrate the intuition and the managerial application of the model using a large data set of cross-border acquisitions. We use the results of this data set to validate the model in a specific data context. Implications for managerial decision making in terms of maximizing control given the nature of the impact of cultural distance and market potential are discussed.

**ABSTRACTS OF CONFERENCE PRESENTATIONS**


Service firms are facing great pressure of cutting operating cost. Downsizing service employees is a widely used coping strategy, which may reduce the performance of service attributes such as responsiveness and empathy. In this study, we intended to investigate whether this is a sustainable strategy by examining the effects of empathy and responsiveness on customer satisfaction and long-term profitability. To our knowledge, no work has been done to directly investigate the effect on profitability. Using 24 quarters of archival customer satisfaction data and financial data from 25 SBUs in a large healthcare organization, this study finds that empathy and responsiveness have direct and positive effect on operating cost and customer satisfaction. We also find indirect effect of the service attributes on profitability in addition to the direct effect of customer satisfaction on profitability.


In this era of increasing competition and financial crunch, service organizations are facing great pressure of cutting operating cost. Downsizing service employees is a widely used coping strategy. At service attribute level, a direct effect of downsizing is the reduced performance of the service attributes that are dependent on service personnel. However it is unknown whether this is a sustainable strategy, as current literature provides competing explanations about the effects of service attributes on customer satisfaction and no work has been done to directly investigate the effect on profitability. Using 24 quarters of archival customer satisfaction data and financial data...
from 25 SBUs in a large healthcare organization, this study aims to empirically examine the long-term impact of service attributes on customer satisfaction and profitability. Our initial findings indicate that although under-investing does bring immediate cost benefits, it generated mixed impact on a SBU’s long term customer satisfaction and profitability.


This paper makes the first endeavor to investigate the role of attribution of service failure on customer’s motivation to participate in recovery. The results indicate that customers with low self-efficacy are less willing to participate in recovery and more likely to opt out future co-production if they attribute the failure to themselves. This yields some counter-intuitive findings. So while the firm may have redirected the blame for failure as customers take blames for their involvement, the long-term costs are future reliance on firm produced (as opposed to co-produced) services for those customers who are less confident. Clearly diffusing or simply owning responsibility for co-produced failure yields a more engaged, co-producing customer in the future.


Are differences in diffusion between developed and emerging markets increasing, decreasing, or constant over time? How is technological evolution affecting these dynamics? What is the future for emerging markets? An analysis of the historical market penetration of 14 new products and services across 68 countries addresses these questions. Our results reveal the existence of marked disparities in the adoption of innovations across the developed and emerging markets. For work products, North America, Japan, Scandinavian countries are consistent leaders, while emerging markets, including behemoths such as China and India, have lagged behind substantially. For fun products, emerging markets are ‘catching up’ over time. For touch products, emerging markets are leaders due to technological leapfrogging. Categories susceptible to leapfrogging have small or no footprint, high value per $, and low penetration of prior technology.

Moreover, these categories serve as new technological platforms for revolutionary services in banking, education, information dissemination, government subsidies, and economic stimulation. Thus touch products have the potential to revolutionize economic progress in emerging markets.


Increasingly now, companies are emphasizing on bottom-of-the-pyramid (BOP) initiatives in emerging markets to expand market coverage and rejuvenate their growth. “Doing well by doing good” is slowly becoming a corporate mantra. BOP initiatives involve significant innovation in terms of a customized, non-traditional distribution channels and single-serve packaging that go beyond corporate social responsibility initiatives to make a difference to the poorest consumers of the world and positively influence the business practices of the companies. While BOP activities do have a
humanitarian motive, an interesting question is whether the product decisions that companies make are beneficial to the lower income BOP consumers or not. For example, selling hedonic products like tobacco and cosmetics at lower prices may serve as a profitable business initiative for companies, but may hurt the underlying philanthropic premise of doing good. We examine this question across two consumer segments: 1) the more educated, higher income consumers who form the target market in the developed country and 2) the more educated, higher income consumers, who form the bulk of the target market, in the developing country that the initiative is targeted in.

Nevena T. Koukova (Co-authors: Jason Kuruzovich, Shu Han and T. Ravichandran) (June 2012), “Does a Portfolio of Hierarchically Related Technology Products Improve Customer Outcomes?” INFORMS Marketing Science Conference, Boston, MA.

This research examines how the type of IT provided among hardware, software, and services—and the degree to which the IT provided is bundled into a solution—influences the levels of satisfaction and loyalty of IT buyers. We refer to the vendors' hardware, software, and services offerings jointly as the IT products-services stack, as a stack framework facilitates an understanding of how the technology components are related. We utilize over 36,000 ratings of 68 IT vendors provided by IT workers, managers, and executives between 2003 and 2006 to test our research model. The findings indicate that vendors offering products in the lower levels of the stack experience higher satisfaction and loyalty ratings (hardware > software > services). Moreover, satisfaction and loyalty ratings are highest when hardware, software, and services are provided together—i.e., provided as an IT solution. An important implication of these findings is that IT solutions benefit both vendors and buyers.


How should a company market a product such as The Wall Street Journal? Should print and online subscriptions to the full WSJ be offered as individual products only or also as a bundle? Should subscription to individual sections of the online WSJ be added? How should these options be priced to maximize profits? As there are various product and bundle alternatives to be considered, a practical methodology for solving this complex problem is needed. We employ a conjoint methodology for determining willingness to pay for different product configurations and prices. Our substantive results are obtained from two samples of respondents in two time points. Our results suggest that, in the context of newspapers, it is most profitable to pursue a traditional mixed bundling strategy in which only the full print and electronic formats are offered, as well as the bundle of the two formats. Adding individual online sections leads to cannibalization despite the fact that more consumers enter the market. For books, however, the optimal bundling strategy is shifting from traditional mixed bundling to a full product line strategy where individual chapters are offered as well.

National ‘Cultural Distance’ has been a very prominent variable to be included in research focusing on globalization. The variable has been used to explain several aspects of customer behavior as well as firm behavior. Given the increase in globalization, the research that focuses on a global approach to customer and firm behavior is only going to increase and therefore, a critical examination of the key variable of cultural distance will be useful for researchers as well as managerial practice. This paper focuses on the measurement, interpretation, and implications of cultural distance in globalization research and offers some approaches to utilize the richness of data as well as to overcome the challenges in interpreting the meaning of a statistical relationship between cultural distance and other variables.


An important phenomenon in the marketing of frequently purchased consumer products is brand proliferation. While developing, introducing, and marketing new brands or sub-brands within product category costs money, how far can they influence the market for the product category as a whole? This question is especially important in a mature market in which there are already many brands and the perceived differences between a new brand and existing brands may be small. When a company already has one or more brands in the product category, a new brand introduction by the same company may also result in cannibalization of its existing brands. This paper contributes to the literature by developing a conceptual model and deriving some theoretical results on the effects of brand proliferation on category expansion and cannibalization.


Outsourcing manufacturing activities primarily aimed at cost reduction has been a phenomenon in existence for decades. The evolving manifestation of outsourcing in recent years have been more multi-faceted with the inclusion of services, especially, knowledge-based services such as R&D, design, obtaining customer insights, and so on. A natural offshoot of increasing globalization, advancement of information technology to connect companies, people, and communities across the globe is the growth in the outsourcing of innovation management activities in general and new product development activities in particular.

From a limited and mechanical standpoint, innovation outsourcing decision is similar to the make-versus-buy decision that companies have wrestled with since the advent of the industrial revolution. However, from a strategic perspective, innovation outsourcing involves issues in knowledge management and the creation, exploitation, and protection of intellectual property (IP). In addition, the current economic situation around the globe has made the discussion more politically charged as well as some people considering outsourcing as a zero-sum game. These sentiments are more pronounced during (U.S.) election time. It is time for us to go beyond the political debates and focus on the evolving realities of innovation outsourcing. This presentation starts with the premise that
innovation outsourcing is a phenomenon that is going to persist and in fact increase. Therefore, the challenge for practitioners and researchers is to identify important research questions that can help the generation of knowledge in this domain as well as provide guidelines for managers involved in innovation outsourcing – either as buyers or sellers or as intermediaries. My presentation focuses on the new research agenda needed to tackle the issues of outsourcing innovation head on. It briefly reviews the current research directions and delineates the new research directions that are imperative to our understanding of the emerging manifestation of globalization and the resultant concerns of firm competitiveness from a long term perspective.


There is a large body of research that focuses on the nature of competition between brands in different tiers (for example, high-tier vs. low tier, national brand vs. private label brand, private label brand vs. premium private label brand, and so on). A number of explanations (at least four) for the phenomenon have been offered in the literature with varying amounts of direct support for the different explanations. Although the existence of the phenomenon of asymmetric competition itself is an interesting and useful area worthy of scholarly investigation, the “why” and “how” of the phenomenon explicated by the different explanations can offer clues regarding strategic implications for product positioning, price promotions, targeting, and segmentation. The paper focuses on offering some new explanations for the phenomenon of asymmetric inter-tier competition, a comparison of the different explanations and their implications for our understanding of the phenomenon, as well as their implications for pricing strategies for different brand-tiers. The overall objective is to obtain a more holistic as well as nuanced understanding of inter-tier competition as well as their significance for conceptualizing and implementing brand strategies.

TENURE TRACK MARKETING FACULTY during 2011-2012

David A. Griffith will join as Professor and Chairperson of the Department of Marketing effective July 1, 2012.

Deepa Chandrasekaran, Assistant Professor of Marketing
New products, Global Marketing Strategy, Consumer Innovativeness, Innovation, Response Biases, and New Product Development

Ravi Chitturi, Associate Professor of Marketing
Technology, Innovation & Sustainability, Design and Consumer Emotions, Brand Value & Marketing Strategy

Beibei Dong, Assistant Professor of Marketing
Customer Co-production/Co-creation and Service Innovation, Service Failure and Recovery, Global Marketing Strategy and Entry Mode.

Reetika Gupta, Assistant Professor of Marketing
Complexity in Interactive Consumption Environments, Consumer Learning of New Products, Corporate Social Responsibility

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June 2012

Email: marketing@lehigh.edu
Nevena Koukova, Associate Professor of Marketing
Pricing, Bundling, Digital Products, Consumer Decision Making

James Maskulka, Associate Professor of Marketing
Marketing Communications, Branding, Media Research

K. Sivakumar, ("Siva"), Arthur Tauck Chair and Professor of Marketing
Global Marketing, Innovation Management, Pricing