Director, from page 1

As I turn over the reigns, I look back at our activities over the past five years with great pride. We started as a simple idea and now have representatives from fifteen major corporations contributing to the Institute's advisory board. Our accomplishments include conferences that feature the finest work on branding, the launching of the Federal initiative on innovation by the then Secretary of Commerce, and the commissioning of white papers from our distinguished group of academic experts. The Institute for Research in Marketing has provided incredible value to our various audiences, including practitioners, academics and students. I am grateful to a number of people who have made all of this possible, particularly my colleagues in the Marketing Department whose scholarly productivity continues to amaze me.

Finally, I would like you to mark your calendars for "Carlson on Sustainability" scheduled for October 20-22, 2010 at the Carlson School of Management. This summit will bring together leading voices in corporate America, public affairs, and academia to examine how to foster consumer adoption of sustainable products and processes. Please visit our website for future conference details.

I hope you enjoy all the news that we provide in the newsletter. There is always more at our website: www.csom.umn.edu/marketinginstitute

Best wishes,

AKSHAY R. RAO
General Mills Chair in Marketing
Immediate Past Director, Institute for Research in Marketing

Matching tasks and incentives for profitable growth

It might seem like a smart idea to train a customer service team to make a great sales pitch, but Marketing Department Chair and General Mills/Pillsbury Chair in Marketing George John explains that it's not necessarily going to lead to lucrative results. In his paper, "Aligning Channel Structures and Incentives to Promote Profitable Growth: What Works?" John concludes that it is more profitable for companies to maintain multiple channel outlet types aligned with different incentive plans than to combine those channels.

"It is more profitable for companies to maintain multiple channel outlet types aligned with different incentive plans than to combine those channels."

In a growth phase, firms often ask their employees to take on new responsibilities. Problems can occur when firms combine tasks that are easy to verify with those that are hard to verify. In an ideal task-to-incentive model, channel partners would receive strong incentives (e.g., pure commissions) for easy to verify tasks and weak incentives (e.g., hourly wage) for difficult to verify tasks. For example, closing sales or acquiring new customers (considered an easy to verify task) should be commission-based, while the task of fielding complaints (considered a hard to verify task) should be compensated with an hourly payment plan.

Growth initiatives often upset existing compensation systems because of task and channel mixing.

A customer service representative who is usually charged with matching products or educating customers might be asked to close sales as well in a new market. Unfortunately, for channel partners with multiple tasks, the strength of incentives is severely limited by the hardest-to-verify task in their responsibilities.

For example, when a mobile phone service provider pays an hourly rate to employees for completing the tasks of a) signing up new customers, b) matching plans and educating customers and c) responding to complaints, an hourly payment plan does not motivate them to seek out and sign up customers. The incentive is not strong enough to motivate the employee and that task is neglected leading to lower market penetration. Unfortunately, moving to a commission plan would be disastrous because tasks b) and c) would be neglected almost completely.

The best move is to separate channels to create more homogeneous tasks. Firms that craft different incentive structures to optimally complement task mixes assigned to independent channel partners stand a better chance of growing profitably.

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Inside this issue:

Mark your Calendar

October 20-22, 2010

The Institute for Research in Marketing will host "Carlson on Sustainability" from October 20-22, 2010, to discuss the adoption of sustainable products, technologies and services.

In this conference the Institute and attendees will focus on persuasion techniques to shift attitudes and behaviors away from the consumption of products and services that are damaging to the environment, and toward the adoption of new, environmentally-friendly technologies.

Keynote speaker Robert Cialdini, a professor at Arizona State University and bestselling author of *Influence: The Psychology of Persuasion* and *Yes 50 Scientifically Proven Ways to be Persuasive*, will kick off conference proceedings with in-depth and compelling insights on how to communicate new practices so they will be widely adopted.

In collaboration with partners from the federal government, members of the national and international business community and leading academics, "Carlson on Sustainability" will feature cutting-edge research from academia and industry that address which approaches are likely to best influence consumption behavior.

Minneapolis, MN

Mark your calendars for October 20-22 and visit carlsonschool.umn.edu/marketinginstitute/sustainability for updates and registration information.

Marketing Matters

A Newsletter of the Institute for Research in Marketing

Summer 2010
Vol. 4, Issue I

From the Director

Passing the torch

After five years as founding director of the Institute for Research in Marketing, I will be returning to my regular professorial duties this fall. With this announcement, I am pleased to introduce Professor Wayne Mueller as the new Director for the Institute for Research in Marketing.

Professor Mueller has over 30 years experience in corporate marketing, sales and management and has been a member of the marketing faculty at the Carlson School since 2003. Currently, Professor Mueller teaches in the Carlson's part-time, full-time and Executive MBA programs. Combining his enviable record of teaching and industry experience, I have no doubt that he will take the Institute to the next level, achieving our vision of elevating the rigor and relevance of academic research that will then benefit our corporate partners.

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Perceptions in fairness

The benefit of a uniform price for branded variants

If you have ever wondered why popular vanilla ice cream costs the same as the less popular lemon ice cream, both by Dannon, you aren't alone. "As consumers, we are used to paying the same amount for a branded variant, such as a cherry flavored or Diet Coke, as we would for a regular can of Coke," says Assistant Professor Tony Haitao Cui. "However, this pricing strategy seems to go against standard economic theory." In his paper, "The Benefit of Uniform Price for Branded Variants," Cui, with co-author Professor Yuxin Chen (Northwestern University), explores the relationship between uniform pricing for branded variants and consumer perceptions of fairness.

One would think that because consumer demand tends to be different across branded variants, firms would choose to price them accordingly to maximize profitability. So, why do companies apply a uniform price? Cui and Chen suggest that consumers' concerns of fairness may provide an appropriate answer to this intriguing phenomenon. If a customer found that he or she had to pay more for an extra-large t-shirt than other people are paying for a small t-shirt of the same brand, the customer might be less interested in the t-shirt.

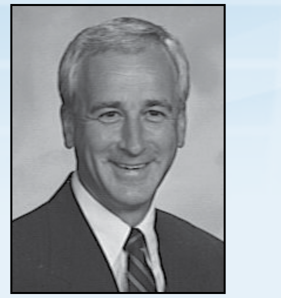
"In a time when emerging niche markets are getting a lot of media attention, firms should be wary of niche pricing strategies."

Building on existing research suggesting fairness as a key contributor in consumer perceptions, Cui finds that peer-induced fairness is particularly powerful. Here peer-induced fairness refers to the fact that consumers may compare their benefits with other consumers' benefits to judge whether they are treated equitably. The authors suggest that consumer fairness concerns provide a natural credible mechanism for firms to be engaged in uniform pricing of branded variants. In turn, this is shown to lead to higher profits. The research also finds that uniform pricing may increase total demand for all branded variants and that it may be in a firm's best interest to facilitate fairness concerns unilaterally.

This research has implications for any industry that sells horizontally differentiated products including grocery products like yogurt, apparel products like clothes and shoes, and even baby products. In a time when emerging niche markets are getting a lot of media attention, firms should be wary of niche pricing strategies. Cui's next step is to uncover the intensity of consumer concerns of fairness and the relative impact on a firm's profitability.

Ask the Expert

Meet Wayne Mueller



Wayne Mueller, recently-appointed Director of the Institute for Research in Marketing brings three decades of corporate experience and nearly a decade of professional academic practice to his new post. Mueller is an award-winning teacher who is highly sought by firms and organizations to deliver executive education programs at the Carlson School of Management and worldwide. Specializing in business development, marketing strategy and segmentation as a former IBM Marketing Business Executive, Mueller has been a champion for meeting business challenges with cutting-edge technological solutions.

Q: What is your vision for the Institute, and what strengths do you bring to this new leadership role?

A: Marketing is truly an inter-disciplinary field. It draws upon knowledge in finance, business and psychology, and it requires skills in relationship building, creative problem-solving and service. My goal in the classroom has been to ensure that our coursework is distinctive and responsive to the needs of our Executive, MBA and undergraduate students. The goals of the Institute in many ways overlap my goals as an educator. I want our excellent marketing research to serve as a springboard for adding credibility and authenticity to the Carlson School brand.

I've always seen the Institute as a critical component to the accomplishments of the Marketing Department. We have an experienced and prolific marketing research faculty at the Carlson School—our research needs to be visible and applicable to marketing practitioners around the world. I feel privileged to have the opportunity to build on the excellent foundation that Immediate Past Director Professor Akshay Rao and Associate Director Rebecca Monro have given the Institute. I plan to continue to elevate the reputation of the Institute by ensuring accessibility to our most prescient and significant research, and to connect to a broad range of constituents.

I was part of the leadership team that reinvented the IBM Corporation from a commodity-based computer hardware corporation to one of the leading software, consulting and service organizations in the world. Connecting practitioners to applicable research has been a fundamental aspect of my career. Research is central for policy makers and practitioners alike who want to make informed decisions for long-term success. The trends that I anticipate will have the greatest impact on our field in the near future are social networking, the extraordinary change in consumer choices brought about by the economic downturn and the significant move to sustainable alternatives that will result. Our faculty promises to shed light on these and other topics so that decision makers can move forward with confidence.

Wayne and his wife of 38 years, Marge, a manager at Park Nicollet Medical Center, have two sons, Greg and Peter, both graduates of the Carlson School of Management who currently hold positions in marketing at Best Buy Corporation.

Do you...

want access to more leading-edge research?

want to be the first to hear of upcoming conferences and events?

The Institute for Research in Marketing distributes additional content through our email network. Visit our website or email mktginst@umn.edu to update your email address, and keep your knowledge up-to-date.

The ground beneath your feet

How vinyl tile and carpet may affect your purchasing decisions

From teachers to hairdressers, people who stand on their feet all day will tell you that the flooring beneath them can be the difference between a good day and a bad one. But can the difference between carpet and hard tile flooring affect how you make decisions? Research published this month by Joan Meyers-Levy, a Professor of Marketing and the Holden-Werlich School-Wide Professor of Marketing, suggests that the way people judge products may be influenced by the ground beneath them.

In the study, published in the June 2010 issue of the *Journal of Consumer Research*, authors Meyers-Levy and Juliet Zhu and Lan Jiang (University of British Columbia) explored the feelings evoked by the two most common flooring types in retail environments: hard vinyl tile and carpet. "When a person stands on carpeted flooring, it feels comforting," says Meyers-Levy. "But the irony is that when people stand on carpet, they will judge products that are close to them as less comforting."

These findings have important implications for all brick and mortar retailers and service providers. Elements of interior décor such as flooring are more than matters of function or style. They may be directly tied to how a consumer perceives products, and that can determine whether or not the consumer

purchases the good. Standing on solid ground with your consumers has always been important, but this research suggests that it may be the difference between a sale and failure to close the deal.

Recent Publications

From January 2010 to the present, the faculty of the Department of Marketing and Logistics Management have had 21 papers accepted or published by the leading journals in the field:

- 5 Journal of Consumer Research
- 1 Journal of Marketing
- 2 Journal of Marketing Research
- 5 Journal of Personality and Social Psychology
- 1 The Lancet
- 3 Marketing Science
- 1 Management Science
- 1 Organizational Behavior and Human Decision Processes
- 1 Organization Science
- 1 Personality and Social Psychology Bulletin

Self Esteem vs. Materialism

How support systems affect a teen's desire for name brand items

What do designer jeans, iPods and luxury handbags have in common? They are expensive—and, teens want them now more than ever. This begs the questions, why are teens so materialistic? And more importantly, can parents and peers play a role in reducing the level of materialism among teens?

"We frequently hear about the ways in which parents and peers encourage materialism in adolescents," states Deborah Roedder John, Professor of Marketing and the Curtis L. Carlson Chair in Marketing. "Parents are often viewed as furthering materialism by being too materialistic themselves or too uninvolved in their children's lives." Peers are another popular target, with most observers attributing high levels of teen materialism to peer pressure to possess the latest styles, brands and electronic gadgets.

In the paper "Interpersonal Influences on Adolescent Materialism: A New Look at the Role of Parents and Peers," recently published in the *Journal of Consumer Psychology*, John and co-author Lan Nguyen Chaplin (University of Arizona) look at the important role that parents and peers play in reducing materialism among adolescents. They began their analysis by noting that material goods are often used by teens as a way to cope with common teenage angst about their own self-worth.

John and Chaplin found that it is possible for parents and peers to improve teens' feelings of self-worth, and thereby reduce their drive for material goods. In a study with 12-18 year-olds, the authors found that teenagers who have supportive and accepting parents and peers in their lives are less materialistic. These role models can provide the support and acceptance that teens crave, which reduces the need among teens to focus on expensive material goods to give them a feeling of self-worth.

> *"In a study with 12-18 year-olds, the authors found that teenagers who have supportive and accepting parents and peers in their lives are less materialistic."*