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Management Insights

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Blogs, Advertising, and Local-Market Movie Box Office Performance (p. 2635)
Shyam Gopinath, Pradeep K. Chintagunta, Sriram Venkataraman

How do word-of-mouth activities such as blogging affect movie financial performance? The authors measure the effects of pre- and postrelease blog volume, blog valence, and advertising on the performance of 75 movies in 208 geographic markets in the United States. The authors attribute the variation in blog effects across markets to differences in demographic characteristics of markets combined with differences across demographic groups in their access and exposure to blogs as well as their responsiveness conditional on access. They find that release-day performance is impacted most by prerelease blog volume and advertising, whereas postrelease performance is influenced by postrelease blog valence and advertising. The authors characterize the extent to which studios could improve their limited-release strategies by identifying the overlap between the actual release markets and the most responsive ones. The insight for management: At the time of first release studios cover only 53% of the most responsive advertising markets and 44% of the most responsive markets to prerelease blog volume in their limited release strategies, implying considerable room for improvement.

User-Generated Content and Bias in News Media (p. 2655)
Pinar Yildirim, Esther Gal-Or, Tansev Geylani

How does user-generated content affect newspapers' online editions? In 2008, 42.8% of Internet users (82.5 million people) contributed to some form of user-generated content, and it is expected that this number will reach 51.8% by 2012 (114.5 million people). The authors investigate newspapers' decision to expand their product lines by adding online editions that incorporate user-generated content. They demonstrate that such product line extensions mitigate the extent of slanting in print media. The results also show that as the extent of discretion of users to generate online content increases, print versions of newspapers become more polarized. The insight for management: Adding online editions results in reduced profits for newspapers as the additional product variants increase the intensity of competition in the market and the discretion awarded to users limits the ability of newspapers to extract rents from consumers.

Incentives' Effect in Influenza Vaccination Policy (p. 2667)
Dan Yamin, Arieh Gavious

What policies create incentives that lead to the best vaccination coverage? In the majority of developed countries, the level of influenza vaccination coverage in all age groups is suboptimal, leading to a 5%–15% infection rate. Hence, the authorities offer different kinds of incentives for people to become vaccinated, such as subsidizing immunization or placing immunization centers in malls to make the process more accessible. The authors attempt to find the optimal incentive for vaccination and the corresponding expected level of vaccination coverage. Their results suggest that the optimal magnitude of the incentives should be greater when less contagious seasonal strains of influenza are involved and greater for the nonelderly population than for the elderly, and should rise as high as $57 per vaccinated individual so that all children between the ages of six months and four years will be vaccinated. The insight for management: The appropriate influenza vaccine incentives can be used to reduce contraction of influenza.

The Impact of Acquisitions on the Performance of Existing Organizational Units in the Acquiring Firm: The Case of an Agribusiness Company (p. 2687)
Santiago Mingo

How does acquisition affect firm performance? Companies frequently expand their production capacity through the acquisition of new organizational units. The author analyzes how the performance of existing units is affected by the acquisition of another unit. The research focuses on three mechanisms: managerial distraction, resource transfer, and knowledge sharing. These mechanisms are studied in the context of existing units and acquired units with different levels of proximity and similarity between them. Using a detailed data set from an agribusiness company, empirical analysis shows that after an acquisition event there is a temporary decrease in the performance of existing units that are geographically proximate to the acquired unit. Data analysis also shows that after an acquisition event there is an increase in the performance of existing units that have similar characteristics to the acquired unit. In this latter case, the rate of increase in performance diminishes over time. The insight for management: The acquisition of an organizational unit can have differing dynamic effects on different parts of the organization.

The Influence of Software Process Maturity and Customer Error Reporting on Software Release and Pricing (p. 2702)
Terrence August, Marius Florin Niculescu

How does customer error reporting affect software release and pricing? Software producers are making greater use of customer error reporting to discover defects and improve the quality of their products. The authors study how software development differences among producers (e.g., varying levels of process maturity) and software class and functionality differences (e.g., operating system versus productivity software) affect how these producers coordinate software release timing and pricing to optimally harness error reporting contributions from users. The authors find that the manner in which a firm's optimal release time responds to increases in software functionality critically hinges on whether the added functionality enhances or dilutes user error reporting; in both cases, the effect of added functionality on release timing can go in either direction, depending on both firm and product market characteristics. The authors find that when processing costs are relatively large compared with goodwill costs, firms with lower process maturity will release earlier when per-module error reporting contributions become diluted and release later when these contributions become enhanced. They also examine how a firm adapts price with changes in error reporting levels and software functionality, and they provide implications of how beta testing influences release timing. The insight for management: Customer error reporting functionality directly affects software releases and pricing.

Structural Estimation of Callers' Delay Sensitivity in Call Centers (p. 2727)
Zeynep Akşin, Barış Ata, Seyed Morteza Emadi, Che-Lin Su

How long will a caller wait? The authors strive to understand the decision-making process of callers in call centers. After each waiting period, a caller decides whether to abandon a call or continue to wait. The caller weighs the waiting cost against the reward for service. The authors evaluate data from individual calls made to an Israeli call center. The insight for management: Modeling endogenous caller behavior can be important when major changes (such as a change in service discipline) are implemented and that using a model with an exogenously specified abandonment distribution may be misleading.

Context-Dependent Preferences and Innovation Strategy (p. 2747)
Yuxin Chen, Özge Turut

The followers of innovations face an important decision. Should they choose to improve the new technology either on the key performance dimension shared with the old technology or on the new performance dimension? Disruptive innovations introduce a new performance dimension into a product category but often suffer from inferior performance on key performance dimensions of their existing substitutes. The authors investigate which path firms should choose when they face such a dilemma in the absence of any cost or capability issues. They integrate customer response into the theory of technological evolution and allow preferences on the product choices to be context dependent. The insight for management: Context-dependent preferences may encourage the follower to improve the new technology on the new performance dimension.

Can Margin Differences in Vertical Marketing Channels Lead to Contracts with Slotting Fees? (p. 2766)
Tirtha Dhar

The author shows that slotting fees can be part of an equilibrium solution if the per-unit downstream margin is smaller than the per-unit upstream margin; interestingly, slotting fees will be larger if the products sold by a retailer are complements rather than substitutes. The insight for management: New insights into the strategic role of downstream product assortment on equilibrium-marketing-channel contracts with slotting fees are being developed.

Coproduct Technologies: Product Line Design and Process Innovation (p. 2772)
Ying-Ju Chen, Brian Tomlin, Yimin Wang

How does offering coproducts affect product lines, production costs, and distribution of products? The simultaneous production of different outputs (coproducts) is observed in the chemical, material, mineral, and semiconductor industries among others. Often, as with microprocessors, the outputs differ in quality in the vertical sense and firms classify the output into different grades (products). The authors analyze product line design and production for a firm operating a vertical coproduct technology. They examine how the product line and profit are influenced by the production cost and output distribution of the technology. They prove that production cost influences product line design in a fundamentally different manner for coproduct technologies than for uniproduct technologies where the firm can produce products independently. For example, with coproducts, both the size and length of the product line can increase in the production cost. The insight for management: Contrary to the oft-held view that variability is bad, the firm may benefit from a more variable output distribution if the production or classification cost is low enough.

Entrepreneurial Spawning and Firm Characteristics (p. 2790)
Michel A. Habib, Ulrich Hege, Pierre Mella-Barral

How is entrepreneurial spawning or retention of a new product affected by firm characteristics such as size, focus, profitability, and innovativeness? The authors suggest that a new product is spawned if the fit between the product and its parent firm organization is not adequate. The authors find that that older firms innovate less, spawn less, are more diversified, and are less profitable and that firms with more valuable general or specialized resources innovate and spawn more. The authors predict that small, focused firms (large, diversified firms) innovate and spawn more and are more profitable when sample heterogeneity is driven by the importance of organizational fit (the value of general resources). The insight for management: Entrepreneurial behavior and product spawning and retention directly relate to firm characteristics.

Simultaneous vs. Sequential Group-Buying Mechanisms (p. 2805)
Ming Hu, Mengze Shi, Jiahua Wu

Should group purchases be made sequentially or simultaneously? Imagine that a group-buying site such as Groupon or LivingSocial can adopt either a sequential mechanism where the firm discloses to second-period arrivals the number of sign-ups accumulated in the first period, or a simultaneous mechanism where the firm does not post the number of first-period sign-ups and hence each cohort of consumers faces uncertainty about another cohort's size and valuations when making sign-up decisions. The insight for management: Test your market first, then exploit it; the sequential mechanism leads to higher deal success rates and larger expected consumer surpluses.

Should Managers Use Team-Based Contests? (p. 2823)
Hua Chen, Noah Lim

When designing contests to motivate employees, should managers organize employees to compete in teams or as individuals? The authors show that, contrary to previous beliefs, if contestants are averse to being responsible for the team's loss, a team-based (TB) contest can yield higher effort than an individual-based (IB) contest. Using experiments, they show that when contestants do not know each other, average effort levels in the TB and IB contests are not different. When contestants are allowed to socialize with potential teammates before making effort decisions, TB contests yield higher effort relative to IB contests. They also show that the relative efficacy of TB contests is driven by contestants' aversion to letting their team down. The insight for management: Social pressures drive behavior; familiarity with teammates directly affects the desirability of team-based competitions.

A Person–Organization Discontinuity in Contract Perception: Why Corporations Can Get Away with Breaking Contracts But Individuals Cannot (p. 2837)
Uriel Haran

A corporation is, by definition, an organization formed with state governmental approval to act as an artificial person to carry on business. So how can a corporation get away with breaking contracts where individuals cannot? Most legal systems in the world follow the principle of corporate personhood, which grants organizations the same legal status as natural persons. Although debate over the notion of corporate personhood has been fierce, whether and how this principle is applied in people's beliefs and intuitions has yet to be empirically examined. The author shows that, although formal contracts are typically seen as either morally binding promises or morally neutral business instruments, contracts of individuals are associated more strongly with promises than are contracts of organizations. As a result, breach of contract by an individual is seen as a moral transgression. The same behavior by an organization, however, is viewed more as a legitimate business decision. The insight for management: Corporate status seems to lessen the social and moral bond in formal contracting, making those contracts easier to break than individual contracts.