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Management Insights

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Management Insights

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When Kerry Met Sally: Politics and Perceptions in the Demand for Movies (p. 1617)

[Jason M. T. Roos](#), [Ron Shachar](#)

A blockbuster in Boston might be a dud in Denver; how can regional popularity affect overall movie profitability? Movie producers and exhibitors make various decisions requiring an understanding of moviegoers' preferences at the local level. Two examples of such decisions are exhibitors' allocation of screens to movies and producers' allocation of advertising across different regions of the country. The authors study local demand for movies based on two factors: consumers' political tendencies and attributes that reflect consumers' perceptions as revealed by their moviegoing behavior. They review box-office data over five years from 25 counties in the U.S. Midwest and find, for example, that counties that voted for congressional Republicans prefer movies starring young, Caucasian, female actors over those starring African American, male actors. Also, perceived attributes provide new insights into consumers' preferences. For example, one of these attributes is the movie's degree of seriousness. The insight for management: The two proposed improvements have a meaningful impact on forecasting error, decreasing it by 12.6%.

Examining the Impact of Ranking on Consumer Behavior and Search Engine Revenue (p. 1632)

[Anindya Ghose](#), [Panagiotis G. Ipeirotis](#), [Beibei Li](#)

How do search engine rankings and product reviews interact in resulting consumer purchasing behavior? The authors evaluate the effects of three different kinds of search engine rankings on consumer behavior and search engine revenues: direct ranking effect, interaction effect between ranking and product ratings, and personalized ranking effect. Based on one million online sessions from Travelocity and randomized experiments using a real-world hotel search engine application, the authors make a number of findings. First, a consumer-utility-based ranking mechanism can

lead to a significant increase in overall search engine revenue. Second, significant interplay occurs between search engine ranking and product ratings. An inferior position on the search engine affects "higher-class" hotels more adversely. On the other hand, hotels with a lower customer rating are more likely to benefit from being placed on the top of the screen. These findings illustrate that product search engines could benefit from directly incorporating signals from social media into their ranking algorithms. Third, they find that an "active" personalized ranking system (wherein users can interact with and customize the ranking algorithm) leads to higher clicks but lower purchase propensities and lower search engine revenue compared with a "passive" personalized ranking system (wherein users cannot interact with the ranking algorithm). This result suggests that providing more information during the decision-making process may lead to fewer consumer purchases because of information overload. The insight for management: The study unravels the economic impact of ranking and its interaction with social media on product search engines, and, interestingly, product search engines should not adopt personalized ranking systems by default.

The Ability of Global Stock Exchange Mechanisms to Mitigate Home Bias:

Evidence from Euronext (p. 1655)

[Grace Pownall](#), [Maria Vulcheva](#), [Xue Wang](#)

Do global stock exchange mechanisms reduce home bias? The authors examine the effects on equity home bias of two mechanisms adopted by Euronext when it was formed by the merger of four European countries' stock exchanges in 2002. The two structural mechanisms are the integration of trading platforms across the four predecessor exchanges and the creation of named segments of the integrated exchange on which firms could voluntarily list by precommitting to enhanced disclosure and transparency. The authors document that the integration of the Euronext market was associated with a reduction in home bias for firms listed on the

named segments of the Euronext exchange, but not for the nonsegment Euronext firms. The results suggest that the reduction in transaction costs from the integration of the trading platforms did not make the nonsegment Euronext firms more attractive to the specific investors for whom the transaction costs were reduced. On the other hand, the decrease in information costs due to the precommitments to enhanced transparency made the segment firms more attractive to all categories of foreign investors, consistent with the information costs hypothesis. The insight for management: Reduction of transaction costs and increased transparency reduce some home bias.

Diasporas and Outsourcing: Evidence from oDesk and India (p. 1677)

[Ejaz Ghani](#), [William R. Kerr](#), [Christopher Stanton](#)

How does the geographic dispersion of populations, known as diaspora, affect outsourcing? The authors examine the role of the Indian diaspora in the outsourcing of work to India. The data are based on oDesk, the world's largest online platform for outsourced contracts. Despite oDesk minimizing many of the frictions that diaspora connections have traditionally overcome, diaspora connections still matter on oDesk, with ethnic Indians substantially more likely to choose a worker in India. This higher placement is the result of a greater likelihood of choosing India for the initial contract and substantial path dependence in location choices. The authors further examine wage and performance outcomes of outsourcing as a function of ethnic connections. The insight for management: Buyers tend to go with what they know; due to ethnic-based preferences and informational differences, overseas ethnic Indians are 16% more likely to outsource to India than other decision makers.

Integration and Productivity: Satellite-Tracked Evidence (p. 1698)

[Gabriel Natividad](#)

How can satellite data help fishing productivity? The author evaluates satellite-tracked real-time data from a large fishing firm managing its vertically, horizontally, and geographically linked ships to study the causal impact of integration on total factor productivity (TFP) after the firm acquired its vertically unintegrated contractual fish suppliers. The author finds that enhanced knowledge transfer and hierarchical authority enacting productivity-improving operational practices among newly integrated ships improve performance. The insight for management: Integration and information in combination pay dividends; total factor productivity increased 16% among newly integrated ships, whereas it did not vary for already owned ships.

Split-Award Auctions for Supplier Retention (p. 1719)

[Aadhaar Chaturvedi](#), [Damian R. Beil](#), [Victor Martínez-de-Albéniz](#)

To what degree should firms offer “winner-take-all” auctions, and when should the award be split to maintain a variety of suppliers over the longer run? Sole awards can alienate losing suppliers and cause them to defect from the supply base. To maintain the supply base and thereby control the high costs of finding and qualifying new suppliers, buyers often employ split awards, which in turn inflate purchase costs. The authors characterize the optimal split award that minimizes long-run costs (purchasing and qualification) and show that maintaining a constant supply-base size is optimal for the buyer. The insight for management: Split-award auctions can increase ex ante system, buyer, and supplier benefits simultaneously.

Mobile Targeting (p. 1738)

[Xueming Luo](#), [Michelle Andrews](#), [Zheng Fang](#), [Chee Wei Phang](#)

Is timing everything, or is it location, location, location? Mobile technologies enable marketers to target consumers by time and location. The authors experiment with short message service (SMS) texts sent to 12,265 mobile users. They identify that temporal targeting and geographical targeting individually increase sales purchases, but the sales effects of employing these two strategies simultaneously are not straightforward. When targeting proximal mobile users, the findings reveal a negative sales-lead time relationship; sending same-day mobile promotions yields an increase in the odds of consumer purchases compared with sending them two days prior to the promoted event. However, when targeting nonproximal mobile users, there is an inverted-U, curvilinear relationship. Sending one-day prior SMS messages yields an increase in the odds of consumer purchases by 9.5 times compared with same-day SMSs and an increase in the odds of consumer purchases by 71% compared with two-day prior SMSs. The authors find that consumers who received SMS messages close in time and location had increased their involvement and purchase intent. The insight for management: The when, where, and how of mobile targeting strategies are crucial; marketers can save money by carefully designing their mobile targeting campaigns.

Wallflowers: Experimental Evidence of an Aversion to Standing Out (p. 1757)

[Daniel Jones](#), [Sera Linardi](#)

Is a bad reputation better than no reputation at all? Building a reputation from comments and reviews on

prosocial sites can be good for the individual's visibility, but the reputation has to be positive. However, some individuals are averse to both positive and negative reputation and will therefore respond to visibility by retreating for fear of gaining a bad reputation. The authors capture this "wallflower" behavior in a model that shows that instead of uniformly increasing contributions, visibility draws contributions toward the middle of others' contributions. As a result, visibility is associated with higher levels of giving only in scenarios where others are giving a large amount. The insight for management: There is heterogeneity in reputation concerns; wallflower behavior is particularly strong for women and can be observed in several different settings.

**Forecasting the Equity Risk Premium:
The Role of Technical Indicators** (p. 1772)
Christopher J. Neely, David E. Rapach, Jun Tu,
Guofu Zhou

Are technical indicators useful in evaluating the equity risk premium? Academic research relies extensively on macroeconomic variables to forecast the U.S. equity risk premium, with relatively little attention paid to the technical indicators widely employed by practitioners. The authors compare the predictive ability of technical indicators with that of macroeconomic variables to resolve this. Technical indicators display statistically and economically significant in-sample and out-of-sample predictive power, matching or exceeding that of macroeconomic variables. Furthermore, technical indicators and macroeconomic variables provide complementary information over the business cycle: technical indicators better detect the typical decline in the equity risk premium near business-cycle peaks, whereas macroeconomic variables more readily pick up the typical rise in the equity risk premium near cyclical troughs. The insight for management: Combining information from both technical indicators and macroeconomic variables significantly improves equity risk premium forecasts versus using either type of information alone.

**Optimal Multiperiod Pricing with Service
Guarantees** (p. 1792)
Christian Borgs, Ozan Candogan, Jennifer Chayes,
Ilan Lobel, Hamid Nazerzadeh

What is the best pricing strategy over time with varying capacity levels and strategic, heterogeneous customers? The firm's problem is to set a sequence of prices that maximizes its revenue while guaranteeing service to all paying customers. The authors provide a dynamic programming-based algorithm that computes the optimal sequence of prices for this problem. Due to the

presence of strategic customers, available service capacity at a time period may bind the price offered at another time period. This phenomenon leads the firm to utilize the same price in multiple periods, in effect limiting the number of different prices that the service firm utilizes in optimal price policies. Also, when customers become more strategic (patient for service), the firm offers higher prices, leading to the underutilization of capacity, lower revenues, and reduced customer welfare. The authors observe that the firm can combat this problem if it has the ability, beyond posted prices, to direct customers to different service periods. The insight for management: Customers who know the pricing game tend to hurt the firm's goal of improving revenues through price setting over time.

**The Judgment of Garbage: End-of-Pipe Treatment
and Waste Reduction** (p. 1812)
Nilanjana Dutt, Andrew A. King

Treat waste, or eliminate it? Many have argued that systems for treating waste discourage organizations from preventing waste in the first place. They theorize that end-of-pipe (EOP) treatment diminishes the incentive to avoid creating waste in the production process and obscures the information necessary to devise prevention techniques. This prediction has been widely accepted, influencing policy and practice, despite both a lack of supporting empirical evidence and the existence of a counterprediction. The authors use data describing U.S. manufacturing establishments from 1991 to 2005 to test the connection between EOP treatment and waste reduction. They find that EOP treatment is associated with an initial jump in reported waste, followed by ongoing reduction. The insight for management: The presence of waste treatment does not appear to cause an increase in waste production.

**Targeted Advertising in Magazine Markets and
the Advent of the Internet** (p. 1829)
Ambarish Chandra, Ulrich Kaiser

Does the Internet help or hurt traditional advertising media such as magazines? The authors examine how the ability of traditional media firms to engage in targeted advertising has changed with the advent of the Internet. They find that the premium for reaching a homogeneous audience increases for magazines that have a companion website, as well as for those whose readers are more likely to be online. This indicates a complementarity between offline and online channels with respect to targeted advertising. The insight for management: In contrast to the usual assumption that multiple advertising messages are redundant, it appears that there may be a complementarity effect in which online advertising enhances the effectiveness of traditional print ads.

**Eliciting Prospect Theory When Consequences
Are Measured in Time Units: “Time Is
Not Money”** (p. 1844)

Mohammed Abdellaoui, Emmanuel Kemel

Is time money? The authors evaluate the prospect theory components—utility, probability weighting, and loss aversion—when consequences are expressed as the time dedicated to a specific task or activity instead of

based on a cash payout gain or loss as is traditionally done. A similar elicitation was performed for monetary consequences to allow an across-attribute (time/money) comparison of the elicited components (at the individual level). The authors find smaller loss aversion for time than for money. The insight for management: Decision making based on time costs rather than cash payouts shows a tendency for more optimism for gains and more pessimism for losses.