

**Summaries of Selected Sessions from the
2008 AMA Winter Educators' Conference
(Austin, TX)**

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2.2 Marketing Research, Technology, and Innovation (Special Session)

Innovation, Product Development, and Diffusion II

Chairs:

Raji Srinivasan, University of Texas-Austin

Ashish Sood, Emory University

Participants:

Strategic-Level Marketing Process Innovations: Their Nature and Effect on Firm Value

Christine Moorman, Duke University

Rika Spencer, Duke University

Catch-Up and Slowdown: Generalizations on the Global Adoption of New Products

Deepa Chandrasekaran, University of Southern California

Gerard Tellis, University of Southern California

Improving Prediction of the Diffusion of New Products through Functional Clustering

Ashish Sood, Emory University

Gareth James, University of Southern California

Gerard Tellis, University of Southern California

Does Innovation In Business Model Improve Shareholder Value? An Empirical Analysis

Venkatesh Shankar, Texas A&M University

Alina Sorescu, Texas A&M University

Session Summary Writer: Kevin J. Cumiskey; Oklahoma State University

How does innovation affect the value of a firm? According to the authors participating in the session, the success of product innovations depends on two factors: where the innovation was introduced and how the firm introduced its innovations. Moorman and Spencer examined the impact of innovation on the value of a firm in both public and private sectors (N=524). The research question asked, "Does the stock market discipline a public firm's innovation behavior?" The types of innovation included technical, formulation, positioning, and packaging. It was assumed that public firms introduced innovations at the end of a quarter and that private firms introduced innovations as soon as possible to maximize profit. The findings suggest that firms should introduce smooth innovations to beat prior levels and reap the rewards associated with firm value.

Chandrasekaran and Tellis investigated the effect of globalization on consumer adoption of new products. The study employed 55 years of data to examine various global trends (political, economic, cultural) and global flows (ethnoscapes, mediascapes, finanscapes, ideoscapes) across three product categories: work, entertainment, and communication. The findings suggest industrialized countries are leaders in the adoption of new products and developing countries are laggards but there is a convergence across time globally. Also, the globalization of new products is positively related to market penetration, especially in developing countries.

In the third paper, Sood, James, and Tellis developed a new model for predicting market penetration of new products using functional regression. The purpose of the research was to introduce functional data analysis and compare its accuracy with the Bass model. Using functional principal components analysis, two components explained over 99% of the variance and functional clustering identified six clusters. Their findings suggest that the product is more relevant than the country regarding market penetration and that augmented functional regression is superior to the Bass model.

Finally, Shankar and Sorescu examined the effect of changes in a business model on shareholder value. The authors explored the change in firm value (short-term and long-term), risk involved (systematic, idiosyncratic), and the type of model change that had the greatest impact on shareholder value. It was found that multiple changes had negative short-term returns and more idiosyncratic risk. A change in the product mix led to positive short-term returns, a change in the

pricing model led to long-term returns, and a change in channel and operations had no effect on short-term or long-term returns.