EDITORIAL

Rarely before have companies in all regions of the world had to contend with such turbulent environments. In just the last few months, we have experienced a major debt crisis in the European Union, political and economic turmoil over the debt ceiling and fears of a new global recession, a crash of the Japanese economy triggered by a natural disaster and an increasingly critical overheating of the domestic economy in China – to name just the most striking economic hotspots. At the same time, we have witnessed the boom of India and Brazil, economies that both tended to be slow for many years. Stock prices have been rapidly fluctuating between periods of collapse and explosion, causing additional concern for companies.

These macroeconomic trends cause significant instability for corporate strategies. Matters are further complicated by rapid technological innovations. For instance, computer and software developments can strongly change the competitive situation within a very short timeframe. An example is the serious challenge Google faces from Facebook in online advertising, while at the same time competing with Microsoft in the field of mobile phone software.

As a result, markets are more volatile than ever before. Former seemingly uncontested world market leaders like Nokia, Dell or Microsoft face serious turbulences. Nokia lost market leadership for upscale smartphones and is seeking salvation in a cooperation with Microsoft. RIM faces a similar situation with its BlackBerries, which are considered increasingly unattractive in comparison to a new generation of touchscreen smartphones. In the summer months, Google invested more than USD 12 billion to acquire the Motorola mobile business. And while US car manufacturers, considered defunct only a few years ago, recovered rapidly from existential threats after the crash in 2008, the former market leader Toyota fell behind. Despite basking in a sales boom at the

moment, even German car manufacturers are threatened by a serious shakeup of their industry when new technologies substitute the combustion engine and the pack is consequently reshuffled.

The volatility of the market is a challenge for not only finance but also marketing managers. It is necessary to ensure the implementation of long-term strategies instead of just acting for the sake of it. Marketing processes need to accelerate and it might be necessary to revise systems that work well today almost overnight. Innovation is a precondition for survival and flexibility in every respect and is therefore the crucial point for success. Consequently, marketing, market research and marketing intelligence systems need to become even more innovative and speedy. It is the order of the day to establish fast and efficient information processes, to foresee critical developments early and to focus on future rather than past markets.

In light of this, the contributions of our new issue of GfK Marketing Intelligence Review are highly relevant. In their article “The Risky Side of Brand Equity: How Brands Reduce Capital Costs”, **Lopo L. Rego, Matthew T. Billett and Neil A. Morgan** document that it pays off to invest in building brands, not only from a marketing but also from a risk policy standpoint. Strong brands reduce the volatility of company stocks, making them more attractive and reducing capital cost. Hence, marketing can contribute to financial success directly and indirectly by reducing the financial risk for investors.

In “Preference Markets in New Product Development”, **Ely Dahan, Arina Soukhoroukova and Martin Spann** explain how virtual preference markets can help to identify and prioritize possible product features most valued by different target groups. The evaluations of the participants represent the “wisdom of the crowd” and seem a very effective and efficient way to predict

the success of innovations. Further, virtual markets can be seen as a typical example of participatory marketing, capturing customer preferences at an early stage to integrate them into the product development process right from the start.

Laurens Sloot and **Peter Verhoef** deal with risks inherent to assortment reductions. In their article “Reducing Assortments without Losing Business – Key Lessons for Retailers and Manufacturers”, they balance the loss of brand-loyal customers by reducing the assortment against gaining new customers by organizing the shelves more clearly. In addition, they include recommendations on the special case of a forced delisting by a retailer, and highlight the damage it can cause for both sides. The strength of the brand represents another key issue in the decision to reduce assortment variety.

Felicitas M. Morhart, **Walter Herzog** and **Torsten Tomczak** present their study “Turning Employees into Brand Champions: Leadership Style Makes a Difference”. They demonstrate that in service industries such as telecommunications, it makes sense to use the power of persuasion rather than incentives to motivate employees to act as brand champions. Truly convinced service employees can make a difference and play a decisive and stabilizing role in the battle for customer loyalty. I recommend this article to everybody looking for proof that leadership style affects the bottom line.

Similar arguments can be found in the contribution of **Nukhet Harmancioglu**, **Amir Grinstein** and **Arieh Goldman** “Should Top Management Get Involved in Market Information Collection Efforts?” They prove that top managers should not be above generating market information themselves or being integrated in market research projects, especially in dynamic environments such as high-tech markets. Direct involvement, again, adds to the bottom line.

E-commerce and multi-channeling can cause additional uncertainties and concern among marketing decision makers in many industries. Thereby, the extent of price differentiation between online and offline channels seems of particular interest. Our flashlight “Investigating the Practice of Multi-Channel Price Differentiation” features a study by **Agnieszka Wolk** and **Christine Ebling**, and shows that price gaps tend to be overestimated. To a large extent, prices in online and offline channels overlap. On average, online prices are only about 12 % lower. This provides at least some reassurance in the midst of all the market turbulence!

In this issue, MIR talked to **Hubertine Underberg-Ruder**, owner and President of the Board of Directors of the Swiss-based producer of the famous Underberg spirits. In our **MIR Interview**, we eventually discover how a typical medium-sized consumer goods company stays on track in turbulent times. Being big is not a pre-requisite for success, but smaller companies must have a stringent strategy and effective marketing intelligence systems to capitalize on their advantages.

We hope you enjoy reading our articles and that they contribute to your successful handling of the present market turbulence. It is worth remembering that turmoil not only brings threats, but also presents opportunities!

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