Managing for the Long-Term

Arnd Vomberg
University of Groningen
Simone Wies
Goethe University Frankfurt
Lena Steinhoff
University of Rostock

Cite as:
Vomberg Arnd, Wies Simone, Steinhoff Lena (2019), Managing for the Long-Term. *Proceedings of the European Marketing Academy*, 48th, (9359)

Paper presented at the 48th Annual EMAC Conference, Hamburg, May 24-27, 2019.

Managing for the Long-Term

Abstract

While companies are expected to ensure their long-term survival in the market place, tensions may constrain managerial decision-making. Stock markets and the ongoing maxim of shareholder value maximization may pressure companies to cut long-term investment (Paper 1: Myopic Marketing Management) or to pursue short-term profit maximizing actions (Paper 2: Dynamic Pricing), likely hampering their competitive position. Finally, even companies with the best intentions for long-term CRM may experience tensions regarding which customers to address (Paper 3: Loyalty Initiatives). From three different perspectives, this special session explores long-term management and its arising tensions. Thereby, the presented papers combine experimental and panel-data studies. In addition, a discussant from company practice will explore the presented phenomena from a corporate perspective.

1) Myopic Management in the Pharmaceutical Industry (Wies and Genedy)

Tensions for long-term management may arise from stock market pressures. Although investments in marketing and R&D should ensure a company's long-term position in the market place, managers may behave myopically by cutting these investments to boost short-term earnings. Wies and Genedy explore these tensions and observe that myopic firms introduce a lower number of patents and patents of lower innovativeness. Their analyses reveal that myopic marketing management is economically harmful and jeopardizes firm competitiveness in the long-run.

2) Dynamic Pricing: Trading-Off Short-term Profit Maximization vs. Long-term Consumer Relationships? (Vomberg, Homburg, and Lauer)

Comparable tensions are also observed in consumer settings. Dynamic pricing has become a hot topic in business practice: The price monitoring provider *Minderest* found that alone on Valentine's Day 2015, the price of a Nikon camera changed within hours by up to 240% on *amazon.com.* While dynamic pricing might maximize short-term profits, Vomberg, Homburg, and Lauer explore potential side effects on long-term consumer relationships: Consumers, e.g., respond with increased search behavior or reduced levels of trust.

3) Accounting for Customer Inertia when Assessing the Effectiveness of Loyalty Initiatives (Henderson, Steinhoff, Harmeling, and Palmatier)

Finally, companies may strive to manage for the long-term, e.g., by loyalty initiatives which offer companies a proactive means of revitalizing customers. However, they also represent an external shock to the relationship status quo. Henderson, Steinhoff, Harmeling, and Palmatier investigate such tensions in loyalty initiatives. Based on a longitudinal field experiment and a lab experiment, results confirm that loyalty initiatives moderate the effects of habit-, dependence-, and experience-based inertia on customer defection and expansion. Even well-intended loyalty initiatives can be ineffective or detrimental according to differences in customers' inertia profiles.