Upside Potentials and Downside Risks of Product Innovations

Alexa Burmester
University of Hamburg
Michel Clement
University of Hamburg, Germany
Jan Becker
Kühne Logistics University

Upside Potentials and Downside Risks of Product Innovations

Abstract

Despite the high relevance of risk considerations for management and innovation decision-making, only very little attention is given to the role of risk in previous innovation research. Therefore, this paper examines the upside potential and downside risks of product innova-tions, using the U.S. movie industry as an illustrative example. Unlike prior studies in innova-tion research, we employ a quantile regression approach that captures the heterogeneous risk effects of innovation's input factors on sales. Based on data from 3,258 movies, the results demonstrate that the use of the quantile regression provides new insights with regard to the effects of input variables on the upside potential or the downside risk (input level analysis). The study provides an example of how to use the quantile regression for innovation purposes and shows its advantages compared to existing approaches of assessing innovations' success factors.

Keywords: *quantile regression; risk analysis; movies*

Track: Methods, Modelling & Marketing Analytics