

Data Breach's Impact on Marketing Capabilities

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Abstract

This research investigates how a data breach impacts a firm's marketing capabilities. Marketing capabilities, essential for driving competitive advantage and fostering customer engagement (McKinsey & Company, 2015), are defined as the distinct, structured, collaborative, and adaptive processes that transform marketing resources into tailored value propositions for specific target markets (Day, 1994). After analyzing 11,836 firm-year observations spanning from 2010 to 2020, research reveals that data breaches significantly erode marketing capabilities by depleting customer trust, damaging stakeholder engagement, and diminishing employee morale. Furthermore, we conclude that competition aggravates a data breach incident's negative influence on a firm's marketing capability, while CEO long-term compensation and CEO network size alleviate a data breach incident's negative influence on a firm's marketing capability. This research showcases the importance of safeguarding marketing capability and highlights the broad implications of data breaches on organizational performance.

Track: Marketing Strategy & Theory