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2006 ISMS Practice Prize Competition—Special Section Introduction

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2006 ISMS Practice Prize Competition

Special Section Introduction

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We introduce the work of the finalists in the 2006 ISMS Practice Prize Competition, representing outstanding examples of rigor plus relevance in our profession. The winner, describing a collaboration between J.D. Power and Associates and U.C. Riverside, involves a sequenced program of research to understand the effect of promotional activity in the U.S. automobile market. The other three finalists address a model to calibrate the effects of corporate brand activity across three divisions at Allstate Insurance; a method for using CLV models to focus customer contact strategies at IBM; and a segmentation strategy to protect and gain customers in the face of a new entrant for the Austrian mobile telecommunications carrier, tele.ring.

Key words: sales promotions; choice models; brand equity; customer lifetime value; perceptual mapping practice

Background

ISMS (The INFORMS Society for Marketing Science) has again sponsored a Practice Prize Competition; in fact, 2006 is the fourth year in which it has done so. The Practice Prize Competition is an important communications vehicle for marketing scientists concerned with the practice side of our profession. To understand the objective of the Prize and the way in which it pursues that objective, it is useful to quote from the Prize Protocol:

The Practice Prize is awarded for an outstanding implementation of marketing science concepts and methods. The methodology used must be sound and appropriate to the problem and organization, and the work should have had significant, verifiable and, preferably quantitative impact on the performance of the client organization.

That is, the award is designed to recognize both the rigor of the work, along with its focus on relevance and organizational impact. Specifically, the following criteria have driven the selection of finalists and the winner:

- Implementation—Who Uses It, for What, and How
- Impact—Organization and What Value
- Methodological Quality: Leading edge/appropriateness
 - Technical Originality—Uniqueness and Flair
 - Difficulty—Problem(s), Politics, and Technical
 - Transportability—Use in Other Applications or Similar Organizations
 - Charm—Impact on Society or Newsworthiness

The two papers and two reports that follow represent the four finalists in the 2006 Practice Prize competition, sponsored in part by the Marketing Science Institute, the Institute for the Study of Business Markets, the European Marketing Academy, the Australian Marketing Institute (in conjunction with the Australian and New Zealand Marketing Academy) and the Brand Science Institute, as well as ISMS.

The Competition

The 2006 Prize committee was comprised of John Roberts, Prize Committee Chair (representing the Australian Marketing Institute and ANZ Marketing Academy), Tülin Erdem (as ISMS President), Peter Fader, Delaine Hampton, Manfred Krafft, Dominique Hanssens (representing the Marketing Science Institute), Gary Lilien (representing the Institute for the Study of Business Markets), Steve Shugan (as *Marketing Science* editor), and Jan-Benedict Steenkamp (representing the European Marketing Academy). The committee received a number of excellent entries, each of which described both the work itself and the impact that the work has had on the client organization.

From that set of entries, the judges selected four finalists (including a Practice Prize Winner) following presentations at the 28th Marketing Science Conference on June 9, 2006, at the Katz Graduate School of Business at the University of Pittsburgh, Pittsburgh, Pennsylvania.

The Practice Prize Winner, written by Jorge Silva-Risso and Irina Ionova, and the Practice Prize Paper, written by Shankar et al., went through the traditional refereeing process at *Marketing Science*, in addition to the rigorous screening of the competition. The reports from Kumar et al. and Natter et al. were also reviewed by *Marketing Science* reviewers, as well as undergoing the extensive evaluation process of the competition judging. In each case, in line with the Practice Prize's focus on practice, evaluation is heavily weighted toward the organizational, impact, and transportability aspects of the work.

The Four Finalists

The winning entry was "A Nested Logit Model of Product and Transaction-Type Choice for Planning Automakers' Pricing and Promotions," written by a joint team consisting of Professor Jorge Silva-Risso from the University of California, Riverside, and J.D. Power and Associates' Irina Ionova.

Their work reports on a promotion analysis tool that enabled automobile manufacturers to improve the timing, frequency, and components of their promotional activity to maintain sales but reduce margin loss. The authors presented evidence of savings in the order of two billion dollars, with Daimler Chrysler executives alone claiming annual benefits of \$500 million. The research used the sales data available to J.D. Power to help it work with individual car manufacturers to calculate the dynamic impact of sales promotions. The work was implemented using a phased approach, allowing an evolutionary increase in sophistication among its users.

The other finalists in the competition were:

The Practice Prize Paper, "BRAN*EQT: A Multicategory Brand Equity Model and Its Application at Allstate," written by Venkatesh Shankar, Pablo Azar, and Matthew Fuller. In the BRAN*EQT study, researchers examine the drivers of the Allstate brand name. By understanding how advertising investments directly influenced the brand equity of Allstate, the researchers were able to make brand-building activities within the firm accountable. This led to advertising changing from being viewed as a discretionary cost to being seen as a strategic investment. One of the useful aspects of the research was to quantify and separate the benefits of corporate branding into the advantages that were captured by each of the divisions within Allstate.

"The Power of CLV: Managing Customer Lifetime Value at IBM," a Practice Prize Report written by V. Kumar, Rajkumar Venkatesan, Tim Bohling, and Denise Beckmann, describes a carefully planned and implemented program within IBM to optimize the number of times the organization "touches"

its customers, incorporating innovations facilitating alignment with corporate objectives, forecasting cost to serve, imputing unobserved contribution margins, and allowing for inter-dependence of purchase incidence and quantity. The team developed a pilot study to calibrate the effect of customer contacts on future purchase behavior, and it used the results to profitably reallocate sales resources to high-potential accounts.

The other Practice Prize Report is "Planning New Tariffs at tele.ring: The Application and Impact of an Integrated Segmentation, Targeting, and Positioning Tool," written by Martin Natter, Andreas Mild, Udo Wagner, and Alfred Taudes. A leading cellular phone supplier in Austria, tele.ring discovered that a new entrant was threatening its position in the industry, and past experience suggested that tele.ring's market share could become marginal as it was squeezed by different players within the market. By undertaking a detailed segmentation study tele.ring was able to identify a new market opportunity of no upfront subscription charges, which would be difficult for other competitors to mimic. A sophisticated perceptual mapping study not only made the resulting service innovation credible to senior management, overcoming internal barriers to its launch, but also helped suggest how the product could be introduced with a compelling and relevant advertising campaign.

Comment

Having judged and reviewed the 2006 Practice Prize entries, we are once again involved in reviewing another set of outstanding examples of the practice of marketing science for the 2007 competition. That work, the work reported here, and the reports from previous competitions provide a remarkable portfolio, both in terms of the range of management problems addressed and the diversity of techniques used. By documenting the value and impact of the work that our field produces, we hope to demonstrate the potential of applied marketing science to the more junior members of the profession, as the papers that follow demonstrate that rigorous marketing science work *can* be highly relevant and have significant impact as well. One of the refreshing aspects of the 2006 Finalists is that they all represent collaborative endeavors between bold executives in leading marketing firms seeking better answers to their managerial questions and top marketing scholars in universities seeking to test and promulgate the models and methods that they (and others) have developed.

To conclude, we would like to thank the Practice Prize committee for all of their work in helping to make this competition such a successful one. Particularly, our sponsors both attest to the perceived practical value of the Practice Prize and provide

resources for the highly professional filming of the Finalists' presentations.

Once again, on behalf of the Practice Prize Committee, we would like to congratulate the Finalists and Winners for their outstanding work and contributions to the Practice of Marketing Science!

Note. ISMS is keen to disseminate the excellent work that the entries in the Practice Prize embody.

Excellent DVDs of these presentations, as well as those of previous finalists in a useful chapter format, are available for adoption for illustration or classroom use. Those DVDs also have the Powerpoint presentations that the presenters used at the competition. To acquire the videos, see the advertisement elsewhere in this issue, or at <http://www.informs.org/edu/marketing-science/>.