Marketing Colloquium
Distinguished Speaker Series
Department of Marketing
Iowa State University
Fall 2017

Nov 10th, 2017  1:30pm – 3:00pm  Room: 3164 Gerdin

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How Brand Impacts Firm Profits Through Employee Pay, Retention, and Productivity

Abstract

Research on employee-based brand equity has found that employees will accept lower wages at strong brands, with the associated compensation savings touted as a bottom-line benefit to the firm. Our findings show that this represents a false economy. Using data from multiple secondary sources, we find that brand-derived compensation savings actually decrease profits due to offsetting negative effects on employee productivity and retention. These effects hold across all employees of the firm. Importantly, we find this relationship to be nuanced. Different dimensions of brand knowledge have opposite effects on pay and, thus, on employee behavior and profits.

Short Bio

Christine Moorman is the T. Austin Finch, Sr. Professor of Business Administration at the Fuqua School of Business, Duke University. Her research examines the nature and effects of learning and knowledge utilization by consumers, managers, organizations, and financial markets. She studies these topics in the context of innovation, alliances, and public policy. Her research has been published in the Journal of Marketing Research, Journal of Marketing, Journal of Consumer Research, Marketing Science, JPP&M, International Journal of Research in Marketing, Academy of Management Review, Administrative Science Quarterly, and Harvard Business Review and supported by grants from the National Science Foundation and the Marketing Science Institute.

Professor Moorman is founder of The CMO Survey (www.cmosurvey.org) and author of Strategy from the Outside In: Profiting from Customer Value (with George Day)—winner of the 2011 Berry Book Prize and editor of Assessing Marketing Strategy Performance (with Don Lehmann). She has served on the Board of Directors and chair of the Marketing Strategy SIG for the AMA, as Director of Public Policy for ACR, and as an Academic Trustee for MSI. Professor Moorman is currently an Associate Editor for the Journal of Marketing and the Journal of Marketing Research, was named an AMA Fellow in 2017, received the 2012 Paul D. Converse award for significant contributions to the field of marketing, and the 2008 Mahajan Award for Career Contributions to Marketing Strategy.