Creating Market Anticipation: An Exploratory Examination of the Effect of Preannouncement Behavior on a New Product’s Launch

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Preannouncements are a form of marketing communication that focus on a firm’s future plans (e.g., Ford announces plans to substantially expand the use of fuel cell technology into the nonspecialty vehicle sector by 2006) or perspectives regarding future industry trends and practices (e.g., Schneider National, operator of the U.S.’s largest trucking fleet, expects that newly developed designs for lower emission truck engines will also be less fuel efficient; Calantone and Schatzel 2000; Eliashberg and Robertson 1988). For buyers, investors, suppliers, distributors, government regulators, as well as competitors, preannouncements can provide considerable information and insight about a firm’s strategy and future intentions (Schatzel, Droge, and Calantone 2003). Accordingly, a firm’s preannouncement behavior is positively or negatively influenced by management’s expectations that the consequence or outcome resulting from preannouncing will be either advantageous or detrimental to the firm.

Extant research indicates a firm’s preannouncement behavior is negatively affected by expectations of deleterious outcomes including (1) enabling competitors to effectively respond to the preannounced action (e.g., accelerating or revising new product development plans) and (2) attracting the scrutiny of judicial and government regulatory agencies interested in evidence of antitrust violations or predatory business practices (e.g., Bayus, Jain, and Rao 2001; Calantone and Schatzel 2000; Eliashberg and Robertson 1988; Heil and Langvardt 1994; Heil and Robertson 1991; Heil and Walters 1993). In contrast, a firm’s preannouncement behavior is positively influenced by the...
prospect of accruing benefits such as (1) reducing uncertainty in the firm’s favor; (2) providing supply chain partners, buyers, and sales forces with the opportunity to better plan; (3) deterring a competitor’s entry into a market segment; and (4) engendering positive opinions from market participants (e.g., buyers and investors) and market influencers (e.g., regulatory agencies, securities analysts, business and trade press) regarding the firm and its intentions (e.g., Eliashberg and Robertson 1988; Lilly and Walters 1997; Rabino and Moore 1989; Schatzel, Calantone, and Droge 2001).

In contrast to the abundant and varied descriptive and empirical literature on antecedent factors influencing a firm’s preannouncement behavior, extant research on preannouncement behavior outcomes, largely rooted in the signaling literature and, therefore, employing a game theoretic perspective, has, for the most part, focused on the investigation of the potential for deleterious responses by competitors and their proxies (i.e., judicial and government regulatory agencies).

Our work, however, differs from this literature and, instead, is one of few empirical studies that follows a large body of existing literature that investigates preannouncement behavior as a deliberate marketing communication process aimed at influencing various market participants in the firm’s favor (e.g., buyers, suppliers, distributors, investors, and trade/business press).

Furthermore, in this study, we focus on investigating preannouncement behavior outcomes that, directly and indirectly, affect a firm’s new product success. This is particularly relevant as existing literature on preannouncement antecedents largely implicates the firm’s desire to foster new product success as a key driver of a firm’s preannouncement behavior. Moreover, we follow up on our previous research finding (see Calantone and Schatzel 2000) that competitive equity building is a key driver of a firm’s preannouncement behavior. Specifically, our model investigates whether firms with a greater occurrence of preannouncement behavior in fact obtain their sought-after outcome—greater levels of competitive equity.

In addition, in keeping with previous research (e.g., Calantone and Schatzel 2000; Rabino and Moore 1989), we do not limit our investigation to an outcome related to a specific and discrete preannouncement; instead, we examine outcomes that influence new product success that are obtained via the firm’s strategic posture regarding preannouncement communication—its preannouncement behavior—which encompasses a broad range of content. This perspective views communication as an enabler of various stakeholder relationships (e.g., suppliers, distributors, investors) requisite for new product success (Ancona and Caldwell 1990, 1992; Brown and Eisenhardt 1995; Calantone and Schatzel 2000; Dougherty 1990; Duncan and Moriarty 1998). Our perspective of new product success specifically examines a CEO’s view of the programmatic success of the new product program as well as its impact on the competitive position the firm obtains. Finally, consistent with a strategic firm-level research perspective, our study does not consider the firm’s unethical or illegal predilection to issue intentionally false preannouncements regarding a planned new product (e.g., vaporware; Bayus et al. 2001; Prabhu and Stewart 2001).

The model, shown in Figure 1, investigates the mediated effects of the competitive equity and market anticipation on the preannouncement behavior–new product success relationship.

We develop eight hypotheses, which are presented in two sections. The first discusses the mediating effects of competitive equity, and the second section examines mediating effects obtained via market anticipation. We then test the model using structural equations and present the results. We conclude with a discussion of the results, theoretical and managerial implications, as well as the study’s limitations.

**DEVELOPMENT OF THE CONCEPTUAL MODEL**

**Competitive Equity Mediating Effects**

Within the context of our model, three distinct pathways, direct and mediated, have been proposed for the effects of competitive equity on the preannouncement behavior–new product success relationship. The theoretical mechanism for the development of these hypotheses is based on the notion of a firm using preannouncements, as a form of marketing communication, to engender a favorable industry reputation for itself, which in turn fosters its new product success directly as well as indirectly through
market anticipation and new product development (NPD) resources (Calantone and Schatzel 2000; Eliasberg and Robertson 1988; Rabino and Moore 1989; Schatzel et al. 2003).

Firms with greater levels of preannouncement behavior frequently communicate, via various channels (e.g., press releases, media interviews, management meetings with distributors), a wide range of information about the future: their plans, perceptions of industry trends, and internal marketing vision. The information provided by preannouncing is often highly cognitive and makes market participants (e.g., suppliers, distributors, buyers, investment community, business/trade media) aware of many details regarding the firm, its strategic direction, and its prescription for future success within its industry (Calantone and Schatzel 2000). In a previous study (see Calantone and Schatzel 2000), we found that a firm’s desire and efforts to influence the development of industry standards, to position its products as the market criterion, and to resolve market uncertainty in its own favor, which we term competitive equity building, were the key drivers of a firm’s preannouncement behavior. Thus, following up on this previous finding, we propose the following to examine if the firm’s sought-after outcome—greater levels of competitive equity—is, in fact, obtained:

\[ \text{Hypothesis 1: The greater a firm’s preannouncement behavior, the greater its competitive equity.} \]

Firms with greater levels of competitive equity hold leadership positions within their industry and are often regarded as industry “bellwethers” (e.g., Sony in the consumer electronics sector, Dell in the personal computer industry; Calantone and Schatzel 2000). Bellwether firms influence industry standards, and their products are often ranked as product class standards; therefore, when introduced, their new products enjoy a product advantage that, consequently, engenders new product success (Bharadwaj, Varadarajan, and Fahy 1993; Kreps and Wilson 1982; Weigelt and Camerer 1988). The items used for the new product success construct are rather specific but numerous and broad in their strategic success context. Not only is specific strength measured, but also the ability for example, favorable supplier contracts and capital funding during the NPD process and introduction (Brown and Eisenhardt 1995; Gupta and Wilemon 1990; Hise, O’Neal, Parasuraman, and McNea 1990; Keller 1986). Thus, incorporating Hypothesis 1, we propose the following:

\[ \text{Hypothesis 2: The greater a firm’s preannouncement behavior, the greater its competitive equity, and thus, new product success is positively influenced.} \]

A supplier’s or distributor’s credibility and reputation can be enhanced or even solidly established by the addition of a notable (i.e., greater levels of competitive equity) firm to its customer list (Schatzel, Droge, and Calantone 2003). Thus, greater levels of competitive equity provide that suppliers and distributors would value business relationships with such firms and aggressively attempt to secure participation in the firms’ NPD programs (Schatzel et al. 2003).

In addition, firms with greater levels of competitive equity are viewed favorably by the investment community and can experience premium market valuations and/or favorable debt terms, which, consequently, provide such firms with attractive capital funding options for the development of new products (Calantone and Schatzel 2000). In short, firms with greater levels of competitive equity are recognized as industry leaders with formidable and durable reputations—organizations desirable—for suppliers, distributors, and investors—to do business with.

Furthermore, extant research and qualitative interviews indicate that suppliers and investors can favorably affect a firm’s new product success by providing NPD resources, for example, favorable supplier contracts and capital funding during the NPD process and introduction (Brown and Eisenhardt 1995; Gupta and Wilemon 1990; Hise, O’Neal, Parasuraman, and McNea 1990; Keller 1986). Thus, incorporating Hypothesis 1, we propose the following:

\[ \text{Hypotheses 3-4: The greater a firm’s preannouncement behavior, the greater its competitive equity, and thus, greater levels of NPD resources are obtained that positively influence new product success.} \]

Market Anticipation Mediating Effects

A firm’s preannouncement behavior also fosters new product success through competitive equity’s positive relationship with market anticipation. Greater levels of market anticipation are characterized by increased market support and receptiveness for a firm’s new products, as well as heightened curiosity and interest concerning the new products.

To begin, note that we previously hypothesized that the greater a firm’s preannouncement behavior, the greater its competitive equity, and, consequently, the firm’s leadership position within its industry is enhanced (see Hypothesis 1). Previous research indicates that buyers, distributors, and industry opinion leaders have a heightened curiosity and interest toward the new product plans of such firms as they often develop new products that make substantial advances or shifts in technology and attributes (e.g., number of features, durability, performance, and price) and thus may raise the bar or alter the product standards for the entire industry (Carpenter and Nakamoto 1989; Calantone and Schatzel 2000; Kerin, Varadarajan, and Peterson 1992). Moreover, due to their leadership position, firms with greater levels of competitive equity are able to generate interest for their products in advance of their introduc-

That is, greater levels of competitive equity foster market anticipation and, in turn, when market anticipation is great, “downstream” market constituents, such as buyers and distributors, are favorably predisposed toward the firm’s new products in advance of their introduction. They look forward to their release and, in some extreme cases, buyers simply “can’t wait”—placing prepurchase deposits or even lining up at dawn in advance of store openings. Within days or even hours of the new product’s introduction, distributors may experience stock-outs, which, in effect, are “sellouts.”

For example, keen interest and strong favorable expectations about BMW’s MiniCooper preceded its U.S. introduction. Market anticipation was great and enabled BMW dealers to require substantial prepurchase deposits from prospective buyers to “hold” vehicles—sight unseen—for many months prior to the MiniCooper’s actual introduction.

Extant research has highlighted increased buyer awareness and favorable buyer perceptions as positively influencing new product success (Cooper and Kleinschmidt 1987; Rabino and Moore 1989; Song and Parry 1996, 1997). Moreover, Wind and Mahajan (1987) indicated that a supportive and receptive market environment fosters new product success. Thus, incorporating Hypothesis 1, we propose the following:

**Hypotheses 5-6:** The greater a firm’s preannouncement behavior, the greater its competitive equity, and thus, greater levels of market anticipation are obtained that positively influence new product success.

### Table 1

Model Construct Measures and Reliabilities Based on Confirmatory Factor Analysis

<table>
<thead>
<tr>
<th>Construct</th>
<th>Measures</th>
<th>Standardized Parameter</th>
<th>α</th>
</tr>
</thead>
<tbody>
<tr>
<td>A firm’s preannouncement behavior (FPB)</td>
<td>Preannounce future plans to develop and launch new products/services</td>
<td>0.782</td>
<td>0.80</td>
</tr>
<tr>
<td>FPB1</td>
<td>Preannounce future plans to develop new distribution partners</td>
<td>0.660</td>
<td></td>
</tr>
<tr>
<td>FPB2</td>
<td>Preannounce future plans for the development of joint product development programs</td>
<td>0.683</td>
<td></td>
</tr>
<tr>
<td>FPB3</td>
<td>Preannounce future plans to enter into a joint venture, merger, or acquisition</td>
<td>0.773</td>
<td></td>
</tr>
<tr>
<td>FPB4</td>
<td>Preannounce future plans to enter into a new geographic segment</td>
<td>0.787</td>
<td></td>
</tr>
<tr>
<td>Market anticipation (MKA)</td>
<td>A receptive and supportive environment exists for your firm’s new products</td>
<td>0.691</td>
<td>0.86</td>
</tr>
<tr>
<td>MKA1</td>
<td>There is curiosity and interest regarding the firm’s new product plans</td>
<td>0.848</td>
<td></td>
</tr>
<tr>
<td>MKA2</td>
<td>New products are anxiously anticipated</td>
<td>0.853</td>
<td></td>
</tr>
<tr>
<td>MKA3</td>
<td>New product plans and statements about future industry states are considered relevant and valuable</td>
<td>0.794</td>
<td></td>
</tr>
<tr>
<td>Competitive equity (CEQ)</td>
<td>Firm has a significant leadership position in industry</td>
<td>0.845</td>
<td>0.94</td>
</tr>
<tr>
<td>CEQ1</td>
<td>Products act as industry “benchmarks”</td>
<td>0.905</td>
<td></td>
</tr>
<tr>
<td>CEQ2</td>
<td>Products are often imitated or copied</td>
<td>0.810</td>
<td></td>
</tr>
<tr>
<td>CEQ3</td>
<td>Firm is influential in shaping direction of industry</td>
<td>0.859</td>
<td></td>
</tr>
<tr>
<td>CEQ4</td>
<td>Products are market leaders within your industry</td>
<td>0.845</td>
<td></td>
</tr>
<tr>
<td>NPD resources (NPD)</td>
<td>NPD efforts are adequately funded and properly staffed</td>
<td>0.677</td>
<td>0.79</td>
</tr>
<tr>
<td>NPD1</td>
<td>NPD budgets include necessary expenditures to ensure a successful product launch</td>
<td>0.754</td>
<td></td>
</tr>
<tr>
<td>NPD2</td>
<td>NPD activities are considered an organizational priority</td>
<td>0.815</td>
<td></td>
</tr>
<tr>
<td>New product success (NPS)</td>
<td>New product meets/exceeds management’s expectations</td>
<td>0.861</td>
<td>0.89</td>
</tr>
<tr>
<td>NPS1</td>
<td>New product development is viewed as a firm strength</td>
<td>0.917</td>
<td></td>
</tr>
<tr>
<td>NPS2</td>
<td>New product capabilities are viewed by management as a leading contributor to the firm’s overall success</td>
<td>0.804</td>
<td></td>
</tr>
<tr>
<td>NPS3</td>
<td>New product capabilities set the firm apart (in a favorable sense) from others in the industry</td>
<td>0.847</td>
<td></td>
</tr>
<tr>
<td>NPS4</td>
<td>Your firm’s management is generally well satisfied (constant improvement is always sought but firm generally performs well) with your firm’s new product development capabilities</td>
<td>0.807</td>
<td></td>
</tr>
</tbody>
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**NOTE:** Goodness-of-fit results: $\chi^2 = 357.925$, $df = 187$, Comparative Fit Index = 0.959. NPD = new product development.

* Significant at $p < .05$. 

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In addition to the effect obtained through competitive equity, a firm’s preannouncement behavior has a direct relationship with market anticipation. As with any strategic communication, the main goal of preannouncing is to inform and influence various market participants (e.g., buyers and distributors; Schatzel et al. 2001). For example, preannouncements, targeted at differing buyers and distributors, can emphasize the innovativeness of future products, their cost-saving opportunities, or the compatibility of ancillary products.

Firms with a greater occurrence of preannouncement behavior will, when the situation arises, issue preannouncements, targeting various market participants, that respond to their differing informational needs, thereby creating awareness and interest for the firm and its products and, consequently, influence beliefs, attitudes, and preferences in the firm’s favor (Calantone and Schatzel 2000; Eliashberg and Robertson 1988; Lilly and Walters 1997; Rabino and Moore 1989).

As provided in the development of Hypothesis 6, previous research indicates that increased buyer awareness and favorable buyer perceptions positively influence new product success. Thus, incorporating Hypothesis 6, we propose the following:

Hypothesis 7: The greater a firm’s preannouncement behavior, the greater the market anticipation, and thus, new product success is positively influenced.

In addition to its direct effect, market anticipation also influences new product success indirectly, through its positive effect on NPD resources. When market anticipation is great, similar to buyers and distributors, “upstream” constituents, such as suppliers, investors, industry influencers, and observers, would be approving toward the firm’s new products and thus be predisposed to provide—often on favorable terms—the requisite resources for NPD success. For example, the media would report extensively and favorably about the firm’s new product plans; suppliers and distributors would actively and aggressively petition for selection as a supply chain partner (i.e., foregoing other significant market opportunities or agreeing to bold or radical terms of supply or distribution); and the investor community, expecting substantial new revenue and earnings stemming from the introduction of the new product, would signal its approval via higher earnings per share (EPS) forecasts and resultant increases in the firm’s market capitalization. As previously discussed in the development of Hypothesis 4, extant research indicates that suppliers and investors can favorably affect a firm’s new product success by providing NPD resources (e.g., favorable supplier contracts and capital funding during the NPD process and introduction). Thus, incorporating Hypotheses 4 and 7, we propose the following:

Hypothesis 8: The greater a firm’s preannouncement behavior, the greater the market anticipation, and thus, greater levels of NPD resources are obtained that positively influence new product success.

RESEARCH METHOD

Sampling Frame and Selection

The sampling frame consisted of U.S.-based firms categorized as manufacturers and engaged in the development and marketing of new products. Firms with fewer than 200 employees were excluded. Smaller firms tend to have strong family influences that may skew study results (Kirpalani and MacIntosh 1980).

The appropriate sample size for testing the structural equation model was judged to be between 200 and 350. A sample smaller than 200 may not have sufficient power, and one larger than 350 may result in sampling fluctuations being detected as differences between the observed and expected covariance matrices, which can lead to a Type I error regarding the chi-square statistic (Chin 1998). A subject frame of 2,000 was randomly drawn from a national mailing list of executives in the position of CEO or president of their firm. Several steps were taken to promote response and minimize response bias.

- Interviews lasting more than 2 hours each were conducted with nine CEOs to assess the viability and utility of each construct in the study and to gather language to build necessary items.
- The survey packet included a personalized cover letter that introduced the research, identified it as a study conducted under the guidance and authority of an academic rather than a commercial organization, highlighted its potential value to the executive, and stressed the importance of participation. Recipients were told that their responses would be anonymous and confidential. In addition, they were offered a copy of the survey results and the research conclusions.
- The survey and cover letter were pretested by 15 executives with similar responsibilities as the sample population to ensure that items were clear and convenient to answer and that the relevance of participation was evident.
- A follow-up card was sent 10 days after the initial mailing to urge participation. It highlighted the relevance of the study and again offered the results. It also included the name and telephone number of a contact person if a replacement survey was needed.

Of the 2,000 surveys mailed, 361 were returned marked “moved/not forwardable,” “forwarding order expired,” or
“person no longer at company.” This reduced the sample frame to 1,639; of these, 319 executives responded to the survey (a response rate of 19.5%). Such a rate is not unexpected from high-level executives under significant time constraints and that the survey information could be considered sensitive and confidential (Schatzel et al. 2001). Each of these factors would produce a downward bias in responses.

The informants held the position of president, CEO, or chair of their respective firms and as such were heavily involved in strategy formation and thoroughly cognizant of industry issues (McKendall and Wagner 1997). The use of senior management as informants is particularly important when examining boundary-spanning activities, such as those central to our research hypotheses (Penning 1984). Finally, we chose to contact a single informant in each firm because this provides anonymity. The respondent may perceive reduced risk, which increases the likelihood of a candid response (Kohli 1989). Regarding self-report bias, previous empirical research has indicated that the areas of organizational culture, structure, and processes are relatively free of covariate inflation effects (Crampton and Wagner 1994).

**Measurements**

All constructs were measured using multi-item 7-point Likert-type scales. Cronbach’s alphas for the measurements are presented in Table 1.

A firm’s preannouncement behavior. As presented below, within the context of the questionnaire, the concept of preannouncement was clearly defined and illustrative examples were provided: *Preannouncement is a formal and public communication by a firm that provides an indication of its future plans. The preannouncement can be directed at one or many constituent parties within the firm’s general industry environment including buyers, suppliers, distributors, investors, and industry experts and observers (e.g., the business and trade media).* Examples of preannouncements include

- Northwest Airlines announces, in March, its special summertime airfares.
- Mattel and Intel issue a press release regarding their future plans to codevelop “smart” toys.

A firm’s preannouncement behavior was measured using the following five items: when the situation arises, your firm generally communicates, in a public and formal manner, information regarding

- its future plans for the development and launch of new products and services;
- its future plans for the development of new distribution partners;
- its future plans for the development of joint development or marketing programs;
- its future plans to enter into a joint venture, merger, or acquisition;
- its future plans to enter new market or geographic segments.

**Market anticipation.** The four items measuring this construct were developed after extensive review of the NPD literature (e.g., Ancona and Caldwell 1990; Wind and Mahajan 1987):

- Within your industry, there exists a receptive and supportive environment for your firm’s new products.
- Within your industry, there is a significant level of curiosity and interest regarding your firm’s new product plans.
- Within your industry, your firm’s new products are anxiously anticipated.
- Within your industry, your firm’s new product plans and commentary regarding future industry states are considered as relevant and valuable.

**Competitive equity.** The following five-item scale was adapted from previous research by Calantone and Schatzel (2000):

- Your firm has a significant leadership reputation within your industry.
- Your firm’s products are used as benchmarks or set standards for your industry (e.g., Mercedes Benz in the luxury car industry, FedEx in the overnight delivery industry).
- Your firm’s products are copied or imitated by other firms within your industry.
- Your firm is influential in shaping the direction of your industry.
- Your firm’s products are market leaders within your industry.

**NPD resources.** This construct attempts to tap the firm’s capability to garner the requisite resources for the successful development and introduction of new products. The three-item scale was developed after a thorough review of the NPD literature (e.g., Ancona and Caldwell 1990, 1992; Dougherty 1990):

- Your firm’s NPD activities are adequately funded and properly staffed.
- Your firm’s new product budgets include the necessary expenditures on critical items to ensure a successful product launch (e.g., prototype development, capital equipment, market testing, sales force/distributor training, advertising).
Your firm’s NPD plans and budgets are viewed as an organizational priority.

New product success. The product development literature largely views new product success in terms of either the financial (e.g., profitability and revenue), market (e.g., market share, market leadership), or process (e.g., lead time, productivity, quality) performance of individual NPD programs (e.g., Ford Motor Company’s Lincoln Aviator Luxury Model, Whirlpool’s Duet Washer/Dryer Series; Brown and Eisenhardt 1995). In addition, given our study’s emphasis on strategic posture, we wanted to examine the relationship between a firm’s preannouncement behavior and its strategic competence to develop future new products, not simply evaluate individual performance of past NPD activities. Intuitively, this construct attempts to tap the firm’s competence as a developer of new products.

The following five-item scale was developed after an extensive review of the NPD, first mover, and reputation literatures (e.g., Brown and Eisenhardt 1995; Kerin et al. 1992; Lieberman and Montgomery 1988; Weigelt and Camerer 1988):

- Your firm’s NPD capabilities are adept at meeting or exceeding the expectations of firm management (e.g., time to market, product quality, commercial performance).
- Your firm’s NPD capabilities are viewed by management as a firm strength.
- Your firm’s NPD capabilities are leading contributors to your firm’s overall success and performance.
- Your firm’s NPD capabilities set the firm apart (in a favorable sense) from others in your industry.
- Management is generally well satisfied with your firm’s NPD capabilities.

### RESULTS

#### Test of the Measurement Model

Due to the limited degree of prior testing of the variables used in the model, steps were taken to purify the construct measurements and improve reliability and validity. Specifically, the measurement model was first subjected to confirmatory factor analysis to test for convergent and discriminant validity, and reliabilities (internal consistency) were tested using Cronbach’s alpha.

As can be seen in Table 1, the overall fit of the CFA was acceptable (Comparative Fit Index \( \text{CFI} = .968 \)). NPD = new product development.

#### Test of the Structural Model

After determining that the proposed model obtained convergent and discriminant validity based on the data, the structural model presented in Figure 1 was tested. As shown in Table 2, the overall fit statistics indicate accept-
able fit of the model to the data (CFI = .968, $\chi^2$ of 300.912, 187 df; Anderson and Gerbing 1982, 1988).

Table 2 shows the standardized parameters and $t$-values resulting from the testing. The proposed positive relationship between a firm’s preannouncement behavior and market anticipation (Hypothesis 7) was supported, but the hypothesized positive relationship between a firm’s preannouncement behavior and competitive equity was not (Hypothesis 1). In addition, the results support competitive equity’s proposed positive relationships with both market anticipation (Hypothesis 5) and new product success (Hypothesis 2), but not with NPD resources (Hypothesis 3). Regarding the influence of market anticipation, there is support for its posited positive relationship with NPD resources (Hypothesis 8), but not for its proposed positive relationship with new product success (Hypothesis 6). Lastly, the proposed positive relationship between NPD resources and new product success (Hypothesis 4) was also supported.

DISCUSSION OF IMPLICATIONS AND LIMITATIONS

Implications for Theory

One goal of this study was to follow up on our previous finding (see Calantone and Schatzel 2000) that a firm’s desire to build competitive equity was a key driver of a firm’s preannouncing behavior. In short, do firms with greater levels of preannouncing behavior obtain their sought-after outcome—greater levels of competitive equity? Based on our model testing, the null result (Hypothesis 1) indicates that, contrary to the preannouncing firm’s intention, competitive equity is not affected. A possible explanation is that competitive equity, or a firm’s leadership position within its industry, is a function of its actual performance (e.g., product quality, financial performance, market share) and is thus less subject to manipulation by the use of preannouncements, which is an information-based influencing strategy. However, the proposed positive effects of competitive equity directly on new product success (Hypothesis 2), as well as indirectly through market anticipation (Hypothesis 5), are supported. These findings indicate that firms with greater levels of competitive equity may enjoy an “advantaged” market environment that fosters new product success.

For firms such as Sony and Dell, their status as industry leaders may positively affect their new product success in two ways. First, new product development has substantial risks, as most new products are failures, but firms with greater levels of competitive equity may be more attractive partners to investors, supply chain partners, and other firms (e.g., joint venturers). Their leadership position suggests that a new product is more likely to be successful, and doing business with such a firm may even elevate the partner’s status and provide a powerful qualification (e.g., Lear Corporation’s status as a preferred supplier to Ford Motor Company; Hambricht and Quist’s underwriting of Amazon.com’s latest bond offering). In short, they may face a receptive external environment when they solicit the necessary resources, either financial or managerial; to execute their NPD plans.

Second, firms with greater levels of competitive equity influence industry standards, and their products often serve as product class standards. As such, their new products would obtain product-level advantages favorably influencing their success. Similar to brand equity within the consumer domain, competitive equity may provide a significant and inimitable competitive advantage in business-to-business relationships. However, these questions are beyond the scope of this study, and thus, further research regarding these relationships is indicated.

In addition, the results support our hypothesis that a firm’s preannouncing behavior is related positively to market anticipation (Hypothesis 7). That is, the greater a firm’s preannouncing behavior, the greater is the favorable bias and interest of various market participants (e.g., buyers, distributors, suppliers, investors, media) toward the firm’s new products and future plans. Furthermore, the findings also indicate that market anticipation fosters new product success indirectly through its positive relationship with a firm’s NPD resources (Hypothesis 8). Wind and Mahajan (1987) proposed that a “supportive and receptive atmosphere for new products” is a key contributor to new product success. This finding supports this notion and attests to the possible role of preannouncing as a factor indirectly influencing new product success.

The use of preannouncements to create and maintain a favorable industry bias toward a firm’s future plans and products may be particularly critical in certain situations: (1) future actions are new for the company and could be construed as risky, such as General Motor’s “Zero Percent” financing; (2) future actions affecting multiple market participants (e.g., suppliers, distributors, and investors), such as the H-P and Compaq merger; and (3) the industry is highly dynamic or emerging so future actions are stressed, as in biotechnology. However, these research questions are beyond the scope of the current study and highlight the need for further investigation regarding preannouncing outcomes and the possible effects (i.e., direct, indirect, and interactions) of factors such as industry context and preannouncement content as well.

Previous research indicates that NPD resources have a positive relationship with new product success (Cooper 1979; Cooper and Kleinschmidt 1987; Song and Parry 1996, 1997). Brown and Eisenhardt (1995) proposed that “a product that is well-planned, implemented and appropriately supported will be a success” (p. 348). The study’s positive result regarding NPD resources and new product
success (Hypothesis 4) lends further support to this resource-based theory of new product success. Indeed, in our model, the results indicate that NPD resources are the main driver of new product success.

Therefore, preannouncement behavior, through market anticipation, may have a highly tangible benefit: positively affecting the firm’s NPD resources. Extant literature indicates that communication fosters new product success by generating support and commitment among NPD teams (Brown and Eisenhardt 1995). This study suggests that market anticipation at the industry level, beyond the domain of the team, may also foster new product success through its positive affect on NPD resources. In other words, communication-based effects may operate at two levels: (1) operationally, at the project or team level, where communication fosters internal support and task management effectiveness, and (2) strategically, at the program or industry level, where a favorable bias and support for the firm’s new product plans is engendered across an array of market participants (e.g., investors and supply chain partners).

Implications for Managers

A major finding of potential interest to managers is that, via preannouncements, firms can “strategically foretell” their future plans and recruit support for them from supply chain participants (e.g., suppliers, distributors, and investors). The area of greatest potential advantage has been in the area of product launch announcements. The launch stage of product development is the most risky in terms of financial exposure and possible loss of competitive position. Significant practice literature shows that increased enthusiasm and cooperation of suppliers, distributors, and (financial analysts) investors strongly mitigates the chances of failure. This result is consistent with a recent study by Schatzel et al. (2003) that indicates a firm’s desire to demonstrate “relational worthiness” to current and prospective supply chain members motivates a firm’s preannouncement behavior. Simply put, our findings emphasize preannouncements as a form of business-to-business marketing communication and point to their potential use as an influence of supply chain and investor relationships and, ultimately, as an enabler of new product success. However, our model is exploratory; therefore, future research regarding these relationships is indicated.

Limitations

Some possible limitations to this study should also be noted. First, new constructs were developed (e.g., market anticipation). Testing supported their validity, but more research is needed to provide conclusive and generalizable evidence regarding these factors. Second, the response rate of 19.5 percent, although acceptable, is a possible limitation, and other studies are needed to replicate the findings. Finally, the constructs were examined with perceptual measures, which are subject to the bias of respondents. Again, further studies are needed to improve the generalizability of the results.

REFERENCES


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