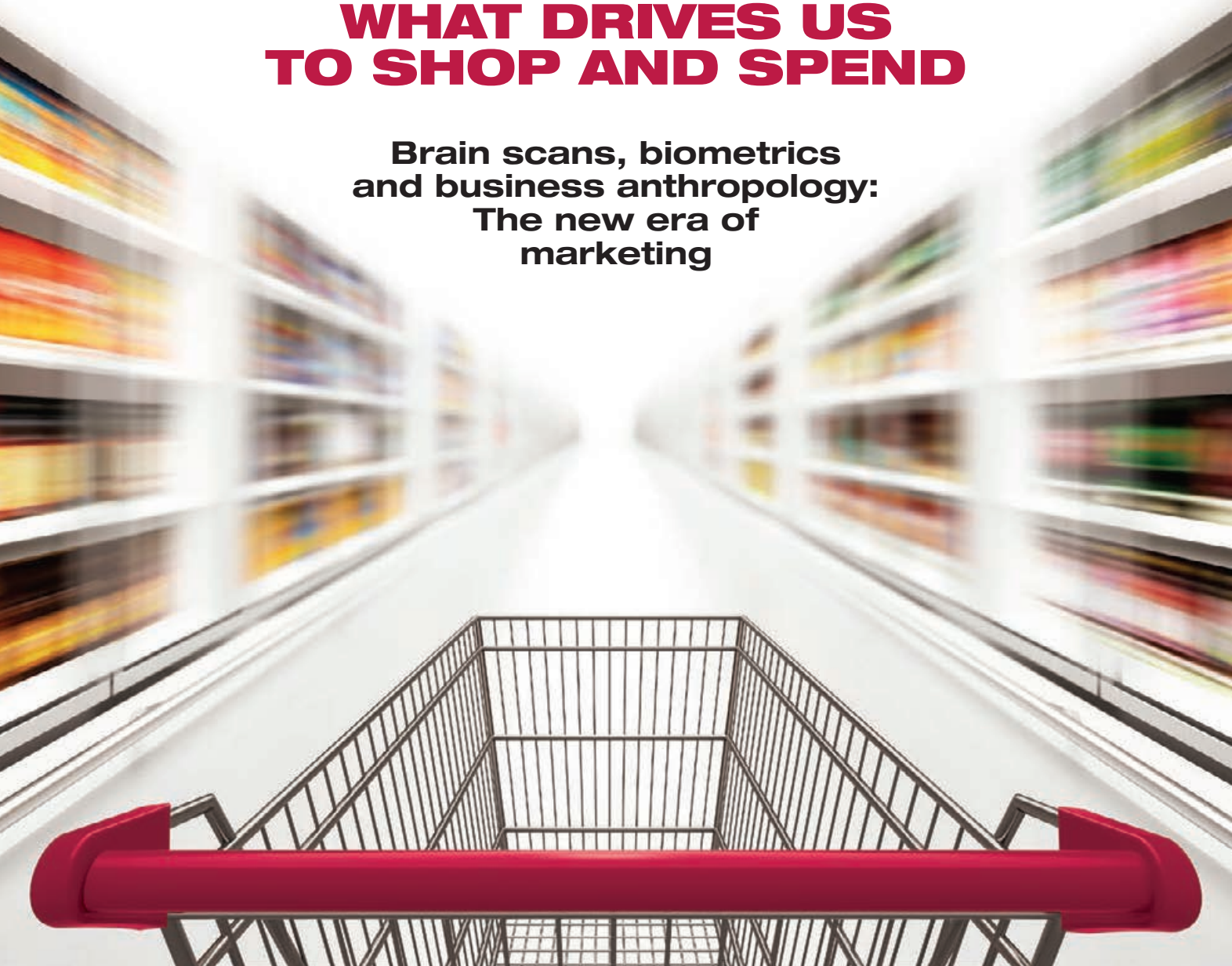
FALL 2012

FORDHAM
Business
FOR ALUMNI, PARENTS AND FRIENDS OF THE FORDHAM BUSINESS SCHOOLS

PURCHASING POWER

WHAT DRIVES US TO SHOP AND SPEND

Brain scans, biometrics and business anthropology: The new era of marketing



Fordham business faculty members Travis Russ and Meghann Drury refined their business communication course and are now delivering it to about 200 juniors. The course is part of the Gabelli School's integrated core curriculum.

Photo by Michael Falco

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DEPARTMENTS

FEATURES

Advancing technology, new communications channels and shifting demographics all influence how we buy and sell.

To succeed in a highly competitive and rapidly changing environment, marketers seek to better understand what makes consumers tick. Why do people choose one product over another? Stories in this issue of *Fordham Business* look both inward, at our human propensities, and outward, at factors such as technology, to find out.

The article titled "Brainwaves" explains how members of the Fordham business community are using science to solve the puzzle of marketing. "Decisions, decisions" delves into how researchers are evaluating business through the lens of anthropology, using that discipline's tools and techniques to shed light on our shopping habits.

Other stories examine the external phenomena that act upon us as consumers. How have digital technologies changed what we buy — and how we buy it? That is a topic that several Fordham researchers are investigating, as new developments from "social" lending to electronic publishing are revolutionizing our purchasing decisions.

As long as there are goods and services to sell, there will be fascinating patterns of consumer behavior to study and analyze. Consumers evolve, generation to generation, just as the markets around them change. We look to our business faculty, alumni in the industry and other experts to help us make sense of it as we move forward.

We hope you enjoy our fourth issue of *Fordham Business*, and we look forward to hearing your feedback on this and future issues.

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This publication is published by the Office of the Dean of Fordham University Business Faculty, with offices at 441 E. Fordham Road, Bronx, NY 10458.

Fordham Business welcomes your comments and suggestions. E-mail the managing editor at ccurry5@fordham.edu.

news

Master's programs designed with today's jobs in mind

In a move informed by the worldwide decline in enrollment in traditional MBA degrees, Fordham's Graduate School of Business Administration has launched a portfolio of master of science programs tailored to the business world's current demands.

"The repositioning of GBA as a business school entails a comprehensive change in the programs we offer," said David Gautschi, Ph.D., the dean of GBA. "We have developed two categories of programs over the past two years that are targeted to meet definable market needs, i.e., what employers want."

These market-driven offerings may better match what students want, too. Applications to full-time MBA programs dropped 22 percent worldwide in 2012. The Graduate Management Admission Council, which tabulates these statistics, attributes the decline to potential students waiting for the economy to turn around — and for career opportunities to open up.

One category of Fordham's new MS programs focuses on career paths that have seen a spike in demand for skilled employees: business analytics, marketing intelligence and media entrepreneurship. These programs, launched this fall, joined two that debuted in 2011: a master's in investor relations and an expanded graduate degree in global finance that was funded by a major grant from the NASDAQ OMX Educational Foundation.

The second category of programs is aimed at recent graduates, particularly liberal-arts majors, who have strong critical-thinking and communications skills and want to add a business focus. The MS in business enterprise (MBE) is a 10-month program that introduces students to, among other things, the industries and business context of New York City. The three-continent master's in global management, or 3C MGM as it is known, is a unique three-semester program in which students spend one term each in Belgium, India and Fordham's home base in New York.

"These programs are designed to provide graduates with the top three requirements prospective employers look for in an applicant: critical thinking, communication/expression and creativity," Gautschi explained. They appear to be working, too: Placement in Fordham's MBE program now exceeds 70 percent.

Former finance chair appointed associate dean for graduate business education

Having held the maximum two terms as area chair for finance and business economics, Sris Chatterjee, Ph.D., has taken his expertise to a new post: associate dean for graduate business education at Fordham's Graduate School of Business Administration.

"I am grateful that Sris Chatterjee has agreed to take on the responsibilities of this newly created position," said David Gautschi. "Sris has been a leader in creating a climate within the schools that is conducive to faculty research. As associate dean for graduate business education, he will have responsibility for the management of the expanding number of

Photo by Spencer Lum

Sris Chatterjee, Ph.D., associate dean for graduate business education.

master's programs at GBA. His knowledge of the school, its faculty, students and curricula will be put to good use."

Gautschi said that Chatterjee has been involved in finance program development and management, and was instrumental in launching Fordham's master of science degree in global finance in partnership with Peking University.

Chatterjee, who has been at Fordham since 1989, looks forward to his new role. "In addition to the MBA program, we have 11 master's degree programs in various management disciplines, and a few more are in the pipeline," he said. Programs like these are in demand, he explained, because of a decline in the market for standard middle-management jobs and finance positions, and a rising need for training in entrepreneurship.

Curriculum reform at GBA will be planned and implemented by faculty, with Chatterjee hoping to "facilitate and help move the process forward."

Consortium aims to restore U.S. trust in business

Business leaders can regain some of the American public's trust in corporations if they recognize the looming economic crisis as an opportunity to show leadership.

Photo by Michael Dames

Robert Hurley, Ph.D., professor of management and director of the Consortium for Trustworthy Organizations.

That was the message Kathryn S. Wylde delivered to an audience of about 150 academics and business-people at Fordham's Lincoln Center campus on October 2.

Wylde, president and CEO of the Partnership for New York City, was the closing speaker at the first Summit on Restoring Trust in Business, a day-long series of talks, workshops and panels organized by the Consortium for Trustworthy Organizations.

The consortium launched earlier this year to address the decline in public trust and to help leaders of organizations to rebuild confidence. Led by Fordham management professor Robert Hurley, Ph.D., the consortium has found private-sector partners in Cigna, Edelman, Ernst & Young LLP and Towers Watson.

Summit participants included representatives from these four companies and from BASF, GE, IBM, MasterCard, Met Life, Shell Oil and the law firm Paul, Weiss, Rifkind, Wharton & Garrison LLP.

"We're about to go into a real fiscal crisis where things are going to change in very dramatic ways," Wylde told them. "That may be an opportunity for an acceleration in the restoration of corporate trust," she said, because there could be significant needs that the business world is poised to help fill: education, workforce development, new jobs and financial resources.

The strategy, Wylde said, will be for businesses to form partnerships with government and academia. These relationships foster trust.

Hurley echoed the notion that business can and should be part of the solution. It's an idea that Fordham hopes to promote through the consortium.

"There are some clear paths forward: measurement of stakeholder trust, developing values-based organizations and more focus on transparency and fairness," Hurley said. "We know from research what trustworthiness is and how to embed it in organizations. It's time we started to do this in earnest."

news

Compass Fellowships point social entrepreneurs in the right direction

Through an entrepreneurship program called the Compass Fellowship, 15 Gabelli School of Business freshmen are funneling their passion for social change into viable startups.

Last year, Fordham joined Duke, Georgetown, Stanford and six other universities in offering this fellowship, which links students with a community of mentors — business owners, CEOs, authors and former fellows — who offer the tools and practical guidance they need to become social entrepreneurs.

"Social entrepreneurship" defines companies that contribute to society in an intrinsic way — through mechanisms that are woven into their very existence.

"Unlike a traditional business that may donate from its profits to 'give back' to the community, a social business is one that's designed to facilitate meaningful social change," explained Ross Garlick (GSB '15), who came to the Compass program last year as a freshman fellow and has returned as a sophomore mentor.

An applied accounting and finance major from Manchester, England, Ross entered the fellowship with a social-business concept in mind: a program for agricultural communities in resource-poor areas, such as rural Africa, to share tools and equipment.

"It definitely was a 'grand idea,'" Ross recalled. "But my Compass mentors helped me scale it back." They encouraged him to get started by creating an analog of his idea that he could test and refine closer to home: on campus, in fact. The result is FURI Rental, a business that rents items that Fordham students temporarily need — such as an air mattress for visiting siblings — or want, such as an Xbox for friends who can't live without Madden NFL.

Ross applied to Compass with a defined business idea, but not all accepted fellows do — or need to.

"We select the entrepreneur, not the idea," he explained. Students are chosen based on how well they demonstrate key Compass values: to "think adventurously, participate proactively, live consciously and commit unreasonably."

Only a third of this year's Compass fellows, who were selected from a pool of 55 candidates, applied with a specific business proposal. But each will be exposed to the world of social entrepreneurship through a varied program that is scheduled to include a broad spectrum of mentors, from fashion mogul Kenneth Cole, whose foundation

Photo courtesy of Ross Garlick

Ross Garlick (GSB '15), socially conscious entrepreneur and Compass fellow, outside of Keating Hall.

Social entrepreneurship defines companies that contribute to society in an intrinsic way.

Students in the Gabelli School's London program wrap up a marketing field trip to the Museum of Brands.

Photo by Stephen Bond

sponsors the Compass Fellowship, to the owners of small startups.

The Gabelli School's London program proves medal-worthy

When the U.S. women's soccer team won gold at the 2012 London Olympics, and when beach volleyball legends Kerry Walsh and Misty May-Treanor did the same, Gabelli School of Business students were in the stands.

The Olympics coincided with the five-week summer term at the Gabelli School's satellite campus in London — a huge stroke of luck for the 31 students enrolled. In addition to a once-in-a-lifetime spectator experience, the games presented a unique platform for class projects and case studies.

In Business Ethics, students debated the International Olympic Committee's decision to allow large companies such as Coca Cola, McDonald's and BP to provide sponsorships that were out of reach for small and medium-sized businesses. Global Marketing students assessed the visibility ramifications for a company that couldn't afford an official sponsorship and devised a guerrilla marketing campaign to help that business make up lost ground.

Liz Andelora (GSB '14) said Olympics-related business discussions dominated many class meetings. "The games added an extra dimension to my study-abroad experience," she recalled. "They not only provided interesting and relevant topics for us to apply principles and concepts to, but also let us experience it all throughout London in real time."

Attending an Olympic event or two was a significant perk for the summer group. Students also witnessed the delivery of the Olympic flame and enjoyed a concert in celebration of the games in iconic Hyde Park.

Popular among U.S. college students, study-abroad programs offer an edge in today's job market, particularly for undergraduates with a major or minor in business. "They allow students to experience and understand a wider global perspective," said Graham Bolton, director of the London program. This year's summer curriculum included courses such as British Culture, Marketing Consulting, Texts and Contexts and Global Finance.

For more information on the London program, which is offered in fall, spring and summer, contact Michael Polito, assistant dean and director of international programs, at mpolito6@fordham.edu.

news

What health care reform means for business – and people

During a week this fall when the presidential election put health care reform into the national spotlight once again, experts discussed its implications at a seminar held by the Fordham Graduate School of Business Administration's Wall Street Council.

The event featured the executive vice chairman of New York Presbyterian Hospital, Herbert Pardes, M.D., and the director of Fordham's Global Healthcare Innovation Management Center, Falguni Sen, Ph.D. It took place in the offices of AllianceBernstein, and Ted Graham (GBA '09) moderated. People who attended agreed that health care reform will affect businesses in every field.

Dianne F. Lob, chairman of AllianceBernstein's private client investment policy group, illustrated the inevitability of change. In the last 50 years, she said, health care spending has risen significantly. While some may argue about the specific percentage of GDP spent — estimates range from 12 to 17 percent — there is no doubt about its prodigious growth.

"Whatever the numbers are today, an aging population is going to push that spending up even further over the next few decades," Lob said.

The Wall Street Council audience hears a speaker from UCLA via video.

Photo by Tom Stoelker

Falguni Sen explored another side of change, discussing the Affordable Care Act's early effects on the behavior of health care providers. Even before the U.S. Supreme Court ruled on the act's constitutionality, he said, major players in the industry were adopting key measures, especially ones that shape the accountability that providers have for patient care.

"I feel heartened by the emphasis on the patient," Sen said. "That is one thing that takes every one of the stakeholders — from the insurance companies to the doctors to the hospitals — out of their narrow business models. It has the potential to radically change the medical profession."

Herbert Pardes agreed that change was necessary and inevitable, though he expressed a wish for better partnership between the government and industry.

Dr. Pardes emphasized this government/private-sector cooperation when asked whether quality universal health care can coexist with capitalism. He offered the statistic that the nearly 40 percent of capital received at New York Presbyterian from private sources offsets the hospital's Medicare- and Medicaid-driven losses.

In time, we will see whether the Affordable Care Act changes that equation and, if it does, how institutions across the health care spectrum respond and keep up.

Contributing reporters: Barbara Esposito, Dean Pace-Frech, Tom Stoelker, Patrick Verel

EVENTS

November 1 & 2

Conference for Positive Marketing
Lincoln Center
Contact Linda Purcell at Lpurcell2@fordham.edu

November 13

"Cyber-Terrorism and Implications for Financial Markets & Platforms"
Presented by Fordham Wall Street Council and featuring Gen. Peter Pace USMC (Ret.), 16th Chairman, U.S. Joint Chiefs of Staff
Steelcase Penthouse, 4 Columbus Circle
6 p.m. to 8:30 p.m.

November 14 & 15

TrepCon: The Gabelli School's annual entrepreneurship conference
Rose Hill
Details at http://trepcon.gabelliconnect.com

November 19

Toppeta Family Chair in Global Financial Markets installation
Hughes Hall, Rose Hill
5:30 p.m. to 8 p.m.

November 27

Conference honoring Harry Markowitz, Nobel Laureate in Economics
For details, contact GBA at 212-636-6200

December 5

Global Business Honors Program senior research abstract presentations
Hughes Hall, Rose Hill
9 a.m. to 12 p.m.

December 18

Philippine American Chamber of Commerce in New York
Speaker: Hank Greenberg, chairman and CEO of C.V. Starr & Co.
Pope Auditorium
11 a.m.

December 19

Student Managed Investment Fund fall semester presentation
Hughes Hall, Rose Hill
1:30 p.m.

All events are subject to change. Please visit www.fordham.edu/gabelli or www.bnet.fordham.edu to confirm dates and times.

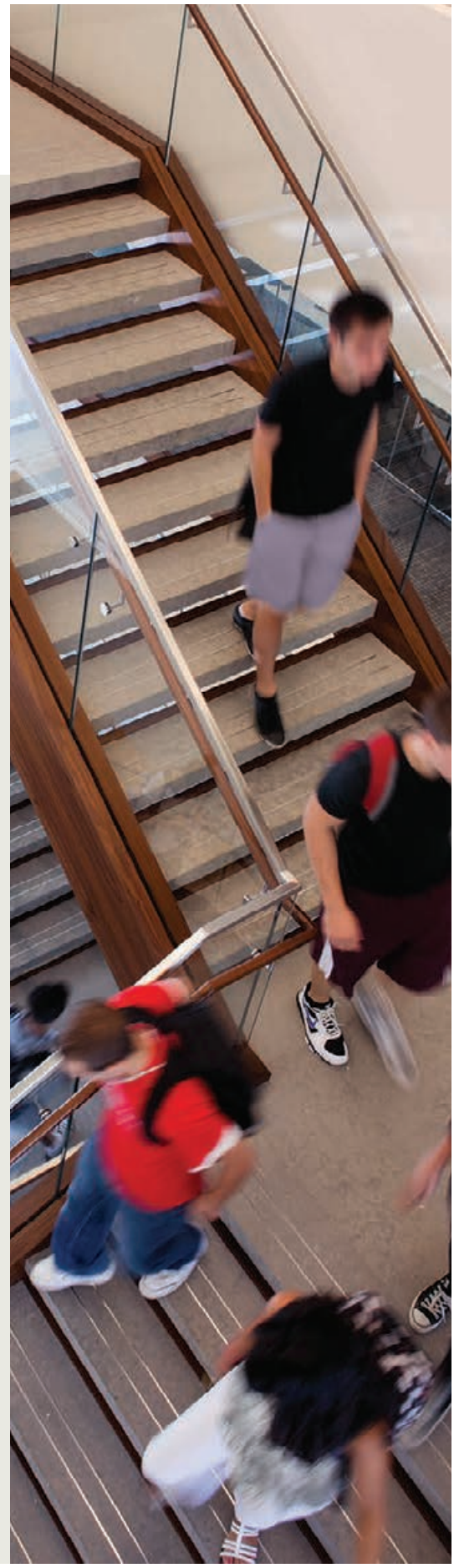


Photo by Michael Falco

media

Say yes to the dress – or consolidate debt

The dynamics of peer-to-peer lending

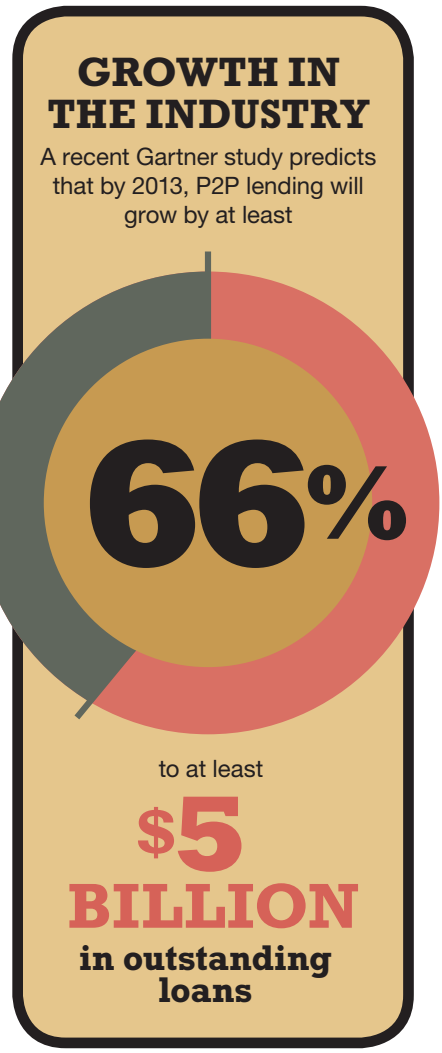
By Barbara Esposito

Since 2005, consumers and entrepreneurs worldwide have borrowed billions — not from banks or other financial institutions, but from virtual strangers they've found on the Internet.

In fact, online social-lending platforms, also known as peer-to-peer lending, generated nearly $5.8 billion in loan originations in the five years following the inception of a U.K. platform called Zopa in 2005, according to Lendstats.com. These platforms connect potential investor-lenders seeking above-market returns (10 percent on average, some sites say) to individuals looking for loans for everything from home repairs to wedding dresses to motorcycles to consolidating high-interest debt, at an average loan amount of $10,000. Entrepreneurs and small-business owners can and do use online social lending, too.

While peer-to-peer lending started with Zopa in the U.K., the United States is where this micro-lending option has experienced "quasi-explosive growth." This is partly because the 2008 financial crisis significantly tightened traditional credit channels, said Kevin McAleer (GSB '11), who researched social lending as a Fordham senior.

Today, an estimated 35 social-lending platforms worldwide connect millions of borrowers and lenders. The largest is U.S.-based Prosper, which has more than 1 million members and has lent more than $231 million since its 2006 inception, according to its web site and to Lendstats.com. Rounding out the "big three" are LendingClub and Peerform.



McAleer's research offered a cross-cultural comparison of Prosper and its counterpart across the pond, Zopa. The highly regarded *Journal of Accounting, Finance and Economics* took notice, publishing his findings in a December 2011 article co-authored with his mentor, Laura Gonzalez, Ph.D., an assistant professor of finance and business economics at the Fordham Schools of Business.

Though Prosper and Zopa share a common aim, McAleer discovered differences. In short: Americans who borrowed via Prosper had significantly lower credit ratings than U.K. loan-seekers, and Americans borrowed smaller amounts of money for shorter terms — at higher rates.

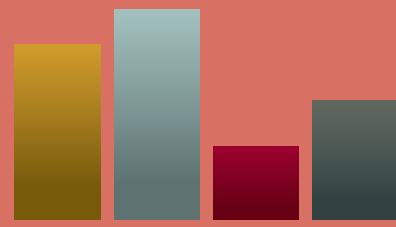
The web sites claim that these rates are still lower than what traditional bank channels would offer to most online borrowers, most of whom have less-than-perfect credit. This, along with the above-market returns they say investors achieve, appear to be the strongest drivers of peer-to-peer lending's growth.

To lend or not to lend?

As investors scroll through dozens of loan-seekers' posts online, how do they decide whether to invest or pass? Most social-lending sites only provide lenders with the basics: the loan's

AVERAGE INTEREST RATES COMPARED

- **12.26%** Personal loan from commercial bank
- **14.68%** National credit card rate
- **5.12%** Home equity line of credit
- **6% to 9%** Peer-to-peer loans



Source: creditsesame.com

purpose and amount, the borrower's credit rating and, on most sites, his or her photograph, if the person has uploaded one. (Prosper recently discontinued allowing photos, but the majority of sites around the world do, Gonzalez said.)

"There is limited measurable data available about the borrower and virtually no personal contact," Gonzalez said. "The risks for investors remain substantial." She recently completed an interdisciplinary study of online social-lending biases with Yuliya Komarova, Ph.D., assistant professor of marketing at Fordham. The study resulted in a presentation this summer at Thomson Reuters, and another in the works for Fordham's second Positive Marketing Conference this fall.

In their research, Gonzalez and Komarova replicated the environment of Prosper and Zopa in a lab. They presented 200 undergraduate and graduate business students, ages 18 to 48, at universities in Europe, Latin America and the United States, with mock-lending decisions not unlike what actual peer-to-peer lenders face online. But the profiles of these potential borrowers were carefully controlled: The only variable was the borrower's photo, a headshot manipulated for gender, attractiveness or age. The subjects were asked to decide how much to loan each borrower, up to a maximum of $1,000. Then, the subjects answered questions about their decision-making process and about themselves.

"This is the first study, to our knowledge, that uses both marketing and finance tools to examine how the characteristics of the lender — in relation to the borrower — affect lending decisions," Gonzalez said. What it uncovered may surprise you.

The price of youth (and beauty)

With all the usual variables that affect a loan decision held constant — the borrower's credit rating and the terms and purpose of the loan — the next most significant factor was age, Komarova said, which can imply experience or the lack thereof. More surprising? The effect of looks. If you assumed attractive people would be more successful loan recipients, you'd be wrong. "An attractive appearance can actually hurt an applicant's chances of getting a loan," Komarova said. In fact, study participants loaned attractive borrowers about 7 percent less, on average. This flies in the face of the prevailing "beauty premium" theory, which associates attractive people with health, intelligence and competence. Who fared the worst? Borrowers seeking funds from lenders who see themselves as significantly less attractive, and attractive men who were applying for loans from other men. "The men appeared to be much harsher with more attractive male borrowers than women were with better-looking female borrowers," Komarova said.

The influence of such subjective variables in peer-to-peer lending has implications for borrowers, lenders and the platforms themselves. The Fordham research can guide loan-seekers on the "type of information they should make available (or not) on their applications to maximize the likelihood of securing the desired loan amount in a reasonable time," according to the study.

"For example," Komarova said, "a young person may opt to leave a photo off their loan application — or choose one that makes them look more mature, professional and experienced — to increase their chances of getting a loan."

There are likely to be more individuals each year who could benefit from this kind of advice. Gonzalez, Komarova and McAleer agree that the social-lending phenomenon isn't going anywhere and will remain a viable option both for individuals looking to finance just about anything — and for investors looking for returns with the potential to outpace the market.

Barbara Esposito is a freelance writer based in New York.

From stacks and shelves to bits and bytes

Professor Al Greco and a team of Gabelli School students examine what it would take to digitize the Library of Congress

By Brett Johnson

If there's one lesson to learn from the Internet age, it's that old forms of media are being displaced by all things digital. CDs and DVDs have given way to music downloads and streaming video. Newspapers are reborn as multimedia web sites. Magazines exist as mobile apps.

Books — consumer trade titles and academic textbooks — are no exception. As e-readers and tablets become more popular and affordable, publishers and libraries are being forced to adapt.

"The book business is moving at a slower pace" than some other forms of media, said Al Greco, professor of marketing at the Fordham Schools of Business. "It's not as if printed books are going to disappear the way CDs disappeared. But if the projections are correct, by 2014, nationally half of the revenues in the trade-book section will be digital."

Greco points to reports that e-books generated $78 million in revenue in 2008, jumped to $1.7 billion three years later, and could reach at least $3.55 billion this year. It's a near-seismic shift in the way book lovers are reading.

It also means a monumental change in the way books are stored and archived. Think about it: What would the Library of Congress look like in an all-digital world?

Greco and a team of nine Gabelli School of Business students, now juniors, made it their mission to find out. At the request of the library itself, they spent two semesters examining how the migration to e-books would affect the largest repository of published work in the United States. The library staff knew that a dramatically changed world awaited them, and they sought research on the issues they faced.

"The question was, how many books have run through the library's Office of Copyright, and are [people] publishing more books than [the library] can handle?" Greco said.

To do the assessment, Greco divided his undergraduates into three teams. The quantitative team looked at accounting and financial issues. Another group examined questions around marketing. The third explored copyright laws and library procedures. The students will present before the Library of Congress in November, offering their research-driven recommendations on how the library can manage two main challenges: digitizing its existing book collection, and processing copyright-protection requests for a rising number of new printed books and e-books.

Their recommendations are critically needed: If the book business were to go all-digital within the next year or two, the Library of Congress might not be able to process all the copyrights. "That would have a tremendous negative impact on authors and publishers," Greco said.

The Thomas Jefferson reading room at the Library of Congress, Washington, D.C.

He claims the library has suffered from market myopia for too long, and speculates that a few factors are at play: budget constraints, federal bureaucracy, and the fact that the library doesn't circulate material. Due to the latter, the Library of Congress has not faced the same public demand for e-books that most local libraries already have.

Some of Greco's students were surprised that the library was so out of sync.

"When you think of government, you think of a [group] that keeps up with the times," said Mike Artiles (GSB '14), who served on the quantitative

What would the Library of Congress look like in an all-digital world?

trekandshoot/Shutterstock.com

and marketing teams. "When we looked further, you realize that these policies haven't changed since decades ago."

"Most interesting was the investigative side of research, trying to figure out what government was doing wrong and how to update it," he added.

Artiles and his fellow students looked into the cost to digitize the entire existing Library of Congress book collection. They also considered what methods the library might use to achieve that goal, such as high-tech scanners for transforming traditional books to electronic versions. Finally, they researched whether the storage of the resulting e-books should be managed via a "cloud" system.

New incoming materials add another layer to the challenge. Each time an author or publisher applies for copyright protection, two copies of each book are sent to the Library of Congress for evaluation, Greco said. Copyright evaluations also must be done for the many e-books that are self-published by independent authors. The sheer influx of new items adds even more pressure on the library to digitally keep up — a consideration in terms of time, resources and cost.

No matter how the library acts on the Fordham team's recommendations, Greco is confident that his students have gained real-world consulting experience that will serve them well when they look for jobs. These students can say that they have examined a major federal institution from the standpoint of management, marketing, accounting and IT.

"This is a consulting job," Greco said. "Not a lot of seniors can say that they did a project for the Library of Congress — and here's a published journal article of our work."

Brett Johnson is a freelance writer based in Brooklyn, New York.

Understanding Digital Consumers

What makes them click?

By Stevenson Swanson

You see an advertisement in a newspaper for something you want. You go to a store. You buy it and take it home with you. End of transaction.

That transaction is quickly becoming a relic, as digital technology transforms the way consumers behave. Now, maybe you see an ad on television and look up the item on your laptop while you continue watching TV. Or you use Google to research a product for days, even weeks, before you buy it.

What's more, the transaction no longer necessarily ends with the purchase. You may tell your Facebook friends what you bought. You might post a comment or rate the product on the store's web site.

Online purchasing, which amounted to about $200 billion in sales in 2011, can be a much more interactive, give-and-take experience than traditional brick-and-mortar retailing, and that's presenting today's businesses with both opportunities and challenges. What do digital consumers want? What activities do they engage in as shoppers? How can their movements online be tracked, evaluated and learned from?

These are some of the questions that Fordham Schools of Business faculty are studying and incorporating into their courses as they prepare students for the tech-driven environment that awaits.

Online and in control

Today's digital consumers are much more in control than yesterday's buyers — and crave that power, said Evangelos Katsamakas, Ph.D., associate professor and area chair of information and communication systems. The sea of information that a person can summon with the click of a mouse has engendered a feeling of empowerment. From researching products' pros and cons to searching for the best prices and reliable user reviews, digital shopping has taken away much, if not all, of the guesswork.

"Consumers can make better decisions, [and] not only about prices," said Katsamakas, whose areas of study include Internet strategy and electronic commerce. "People tend to think it's only about prices, but it's also about whether a product is 'green,' say. It's about the quality and type of product."

Americans also "consume" media, and in this realm, too, we have more control than ever. Media companies and advertisers are keenly aware of this. The level of control wielded by the digital consumer is especially obvious in television: With the rise of the DVR and the explosion of content on video-streaming web sites such as Hulu and Netflix, it has become far easier for us to watch only what we want, only at the times we want to watch it.

From consumer to producer?

Katsamakas has learned something about digital consumers: Many of them actually want to be producers. No longer content to buy something or watch something and then go about their business, they want to interact.

Consumers are shaping the marketplace in revolutionary ways.

Wikipedia, the Internet encyclopedia built from the submissions and edits of thousands of contributors, is one example Katsamakas cites. Another example that he recently used in a class is a New York restaurant that created a menu based on suggestions from its customers.

Katsamakas said the consumer-to-producer trend first emerged in the technology arena with the development of open-source

Understanding Digital Consumers

software, computer programs written by a variety of techies for anyone to use. These days, companies sometimes rely on the hive mind to solve problems they face, posting quandaries on their web sites and letting programmers all over the world have at it — as unpaid freelancers of a sort.

People working for nothing may sound counterintuitive, but to Katsamakas, it's not.

"By nature, people are creative beings," he said. "They want to create things. What do you do in your free time? Maybe you take care of your garden and create something beautiful. Nobody pays you. The Internet just enables us to do what we wanted to do anyway."

Most people's roles as "producers" are less about creating actual products and more about creating influence. These days, people produce volumes of reviews about what they've bought or seen. Company web sites, social networks and blogs give people many platforms to share their experiences.

"It's no longer just [traditional] word-of-mouth." Katsamakas said.

Twitter, the social-media service that limits messages to 140 characters, has emerged as a leader in this arena. John Carey, Ph.D., a Fordham professor of communication and media management and co-director of the Center for Communications, recently completed a research project for NBC that attributed a large increase in Olympics viewership among teenage girls — 50 percent higher than the previous summer Games — to Olympic athletes' frequent use of Twitter.

"Younger teen girls are the most involved with social media," Carey said. Athletes' posts to Twitter, he explained, gave these girls a "feeling of a direct connection that made them want to watch."

To succeed, companies and advertisers must monitor and respond to conversations about their products or the TV shows that carry their ads. Google, Facebook, Twitter and others gather data on their users and provide it — at a price — to companies that want to look for trends, spot opportunities and address negative comments.

The amount of data the companies confront is massive.

"If you have a huge amount of data, it's not useful unless you have software to analyze it," Katsamakas said. "No human can go through it all. But the scale of the problem changes all the time because more data is being collected all the time."

Analytics to the rescue

This is where analytics — the discipline of mining vast amounts of data for meaningful insights — comes into play. Here, media provides a useful example.

Consultants have developed software capable of combing through Twitter and Facebook posts to study who is watching a TV program and, perhaps even more significant, what they think about it.

The output from this software is so nuanced that it is beginning to rival the classic viewership survey that advertisers and networks have relied on for decades: the Nielsen ratings. It also is better suited than the Nielsens to gauge the habits of an audience apt to watch programs on DVRs, streaming services and smartphones, said Philip Napoli, Ph.D., professor of communication and media management and director of Fordham's Donald McGannon Communication Research Center.

The limitation, Napoli notes, is that not every demographic group is represented equally in this new stream of data. Men between the ages of 18 and 34, for example, tend to comment the most about what they've just watched. But as a supplement to the Nielsens, these new analytical tools can provide a useful window into certain prized demographics.

"The audience keeps changing, and the way media is consumed is changing," Napoli said. "As long as that doesn't stabilize, the folks who have to measure and evaluate data are in a constant state of catch-up."

Stevenson Swanson is a freelance writer based in the New York City area.

All Things Digital

Flashy ads may proclaim the newest, most expensive digital toy as a must-have, but if you want to know what's really hot — and what's not — in the world of digital technology, Fordham professor John Carey can tell you.

In his more than 25 years of media-industry research, Carey has specialized in ethnographic studies, in which he observes subjects in their homes to document what kinds of digital devices they use and what they use them for.

One trend he's noticed lately is the decline of the laptop and the rise of the smartphone. Not long ago, the standard "two-screen" combination was a television and a laptop. Now, that second screen is more likely to be a smartphone or perhaps a tablet computer.

"People used to say laptops were great because you could move them around, unlike a desktop," he said. "Now, people say, 'Aren't they kind of big?'"

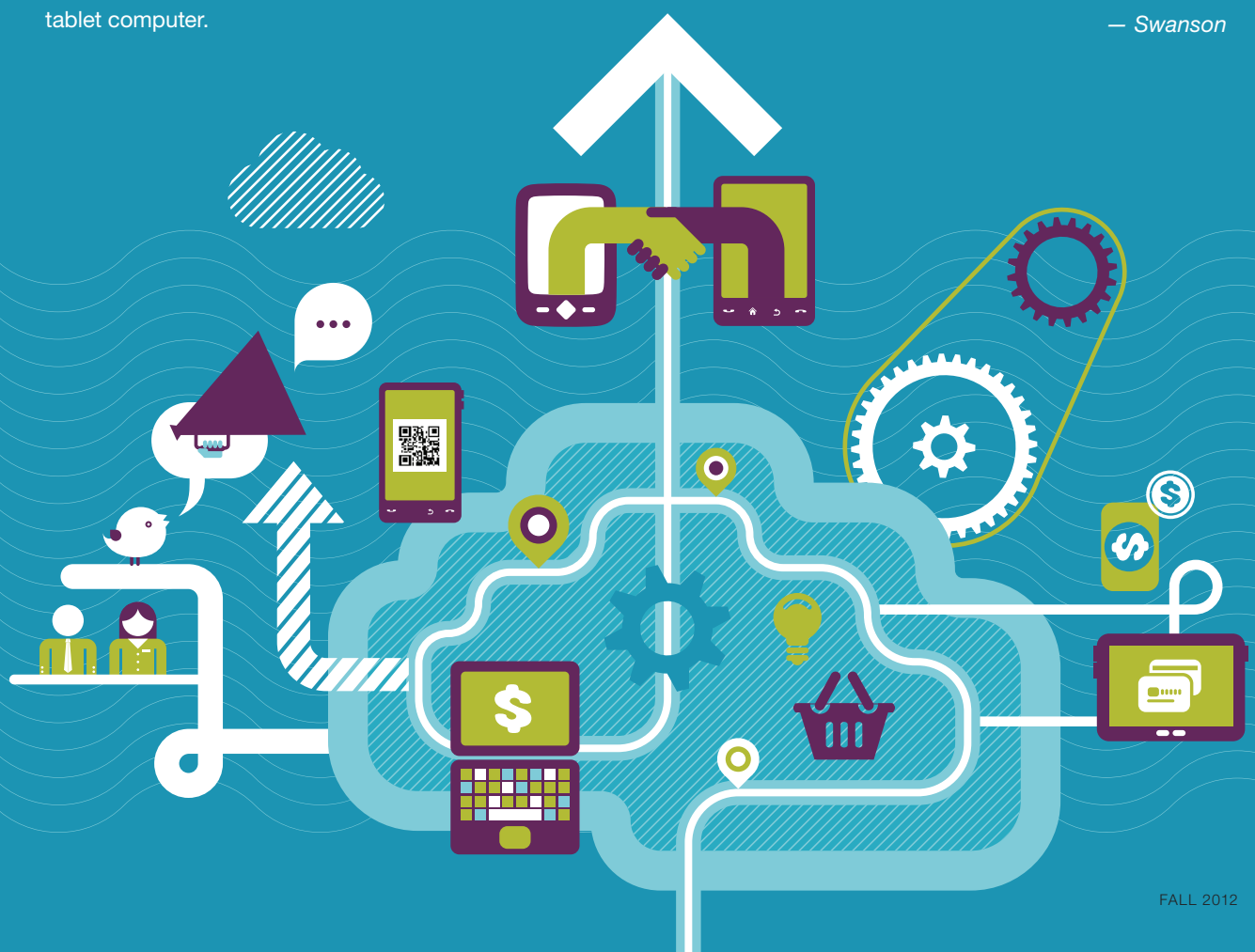
Similarly, he thinks the digital video recorder (DVR) has peaked. Slightly less than half of U.S. households have a DVR, but the growth rate has leveled off. Carey attributes that to the fact that there are a growing number of alternative ways to watch a TV program at your convenience.

But that doesn't mean television itself is in any immediate danger, as some media fortune-tellers predict. High-definition televisions are now "almost ubiquitous" in households, he said, and one of the surprising aspects of the social network Twitter is how much it can drive TV viewership.

Carey is less convinced that 3-D TV will last, and he speaks from personal experience when he criticizes one very high-profile feature of Apple's iPhone.

"Siri doesn't work," Carey said, referring to the phone's female-voiced digital assistant. "Eight times out of 10 it makes a mistake. I asked Siri, 'Where is Yankee Stadium?' What did Siri say? 'Calling your wife.'"

— Swanson



decisions,

how our relationships influence the way we shop

By Claire Curry

Heading to the mall with a friend for some retail therapy isn't merely an elixir for a bad day. It benefits retailers, too, in more ways than you'd imagine.

Research shows that a pair of women shopping together yields the most profitable outcome for stores: Two ladies linger longer, work together to make purchasing decisions, and ultimately spend more than when they shop solo or with the men in their lives.

decisions

Which combination is the next best? It's actually not a combination at all. A woman shopping alone is preferable to retailers over a woman shopping with a man.

"Most men tend to be frustrated with shopping," explained Timothy de Waal Malefyt, visiting associate professor of marketing at the Fordham Schools of Business. "They sit down, and the woman worries that she's taking too long, so she tries to hurry." No retailer wants a customer's "relationship" to undermine her relationship with the brand.

Digging deep on shopping

Malefyt is among a growing niche of professionals who study business anthropology, an emerging field that informs industries about how consumer behavior is influenced by culture and human relationships. He heads an ethnographic unit at agency BBDO Worldwide that helps advertisers to understand today's consumers, and he is co-author of the 2012 book *Advertising and Anthropology: Ethnographic Practice and Cultural Perspectives.*

What does anthropology have to do with retail? It spotlights consumer behaviors and shopping rituals that, when identified and understood, can help marketers better meet consumers' needs and expectations.

"People think of anthropology as going off to study a tribe in Borneo," said Malefyt, who is teaching a graduate-level mini-course called The Science of Shopping at Fordham. "Now, the world is fully developed and explored, but what has survived in anthropology are the tools and the sense of understanding people from another point of view. That is really powerful."

Malefyt offered this hypothetical: A marketing study asks consumers why they tend to buy a particular product, and the consumers say it's because it's convenient to do so. "An anthropologist might step in and say, 'But what does convenient mean to you?'" Malefyt said. "Often, these words are very loaded."

Would you eat off that floor?

Malefyt uses a floor-cleaning product as an example. Why consumers choose one cleaner over another may have less to do with the product itself and far more to do with ideas and people. Is the product environmentally friendly? Is a toddler typically crawling on the floor that it will clean? Does a sparkling floor symbolize something you'd want house guests to perceive about you?

"You can look at motivations as internal drivers," Malefyt said.

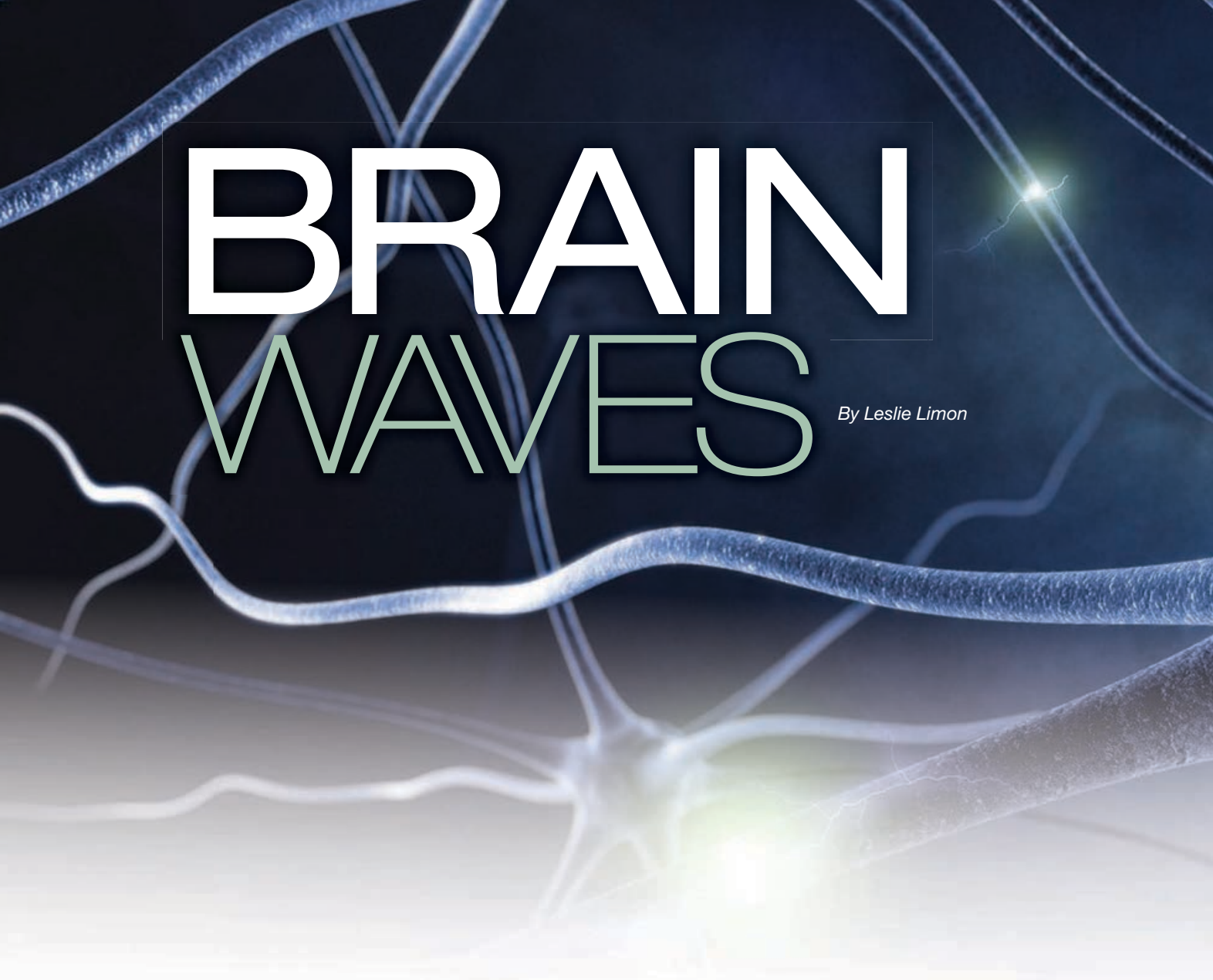
Experts say the act of shopping transcends the shopper herself. In *A Theory of Shopping*, Daniel Miller argues that purchasing goods is nearly always connected to social relationships, most often those based on love and care.

The phenomenon plays out, for instance, in grocery aisles around the globe: Whether it's selecting a child's favorite treat or the ingredients for a special couple's dinner, purchases made in supermarkets go deeper than the design of labels and are more emotionally charged than one would guess.

Researchers are watching to see how these factors, combined with broad global issues and demographic shifts, align to shape consumer behavior in this century. Paco Underhill, a behavioral researcher and author of *Why We Buy*, predicts greater shifts to come as retail endeavors to cater to an older and more female-dominated society.

"What made a good store in 1990 and what makes a good store in 2012 is completely different, and those differences are a reflection of the differences in us," Underhill stated. In addition to changes in the economy, an aging population and the growing power of female consumers will influence the way we shop in years to come.

Claire Curry is managing editor of Fordham Business.



BRAIN WAVES

By Leslie Limon

Today's marketers are taking a "cerebral" approach to better understand their target audiences. How is neuroscience informing the ways products are marketed and sold? Are there ethical implications to getting inside someone's head?

More than half of the people who took the Pepsi Challenge in the 1970s preferred the taste of Pepsi over Coca-Cola. So why wasn't Pepsi the market leader? Smokers in a 2004 study from the United Kingdom declared their nation's anti-smoking warnings to be effective. So why did they continue to light up, contributing to the equivalent of $27.4 billion in tobacco sales? Why, despite the massive hype around the debut of the Segway personal transporter, did sales in its first two years reach only 6,000? And when Ford rolled out an automobile built around what consumers said were their most desired features, why did it bomb?

Anomalies such as these are the tip of the iceberg. In 2007, according to Martin Lindstrom, author of *Buyology: Truth and Lies About Why We Buy*, corporations spent $12 billion on market research in the United States, yet eight of 10 products failed within three months of their launch. How come? If people said they'd buy something, why didn't they actually buy it?

Clues came from a Baylor University neuroscience study that reported the results of a much later version of the Pepsi Challenge, done in 1993.

Subjects in this Pepsi test tasted their colas from inside a functional magnetic resonance imaging (fMRI) scanner, which uses magnetism and radio signals to show blood-flow

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changes in the brain during a task — an indication of which neural areas are activated.

The subjects drank the sodas twice: first without any knowledge of which was which, and then again with prior knowledge of whether the sample was Pepsi or Coke. In the blind tasting, the activated areas of their brains synced up perfectly with their brand-blind preferences. But when the subjects knew they were sampling a specific brand, the fMRI showed activity in a more complex range of brain areas: specifically, regions associated with emotion and working memory. What did scientists believe they were seeing at work? Neural evidence of brand loyalty. This study captivated industry.

Was it possible, by analyzing a customer's brain, to gather more reliable evidence of what he or she really wanted? Could companies obtain data more reliable than what was emerging from traditional market research? Could a brain scan predict consumer behavior?

The field of neuromarketing — marrying science, technology and marketing — was off and running. Its goal, according to Yuliya Komarova, an assistant professor of marketing in Fordham's Schools of Business, is "to capture non-conscious, automatic reactions before people 'correct' for them using rational processes."

Many corporations now use neuromarketing — some in their own laboratories — to understand the deeper drivers of our behavior. Neuromarketing consulting firms have sprouted worldwide. But corporations and scientists are continuing to discover both its capacities and its limitations.

For one thing, there doesn't appear to be a "buy button" hidden in each consumer's brain that can be identified and pressed. "We cannot use neuroscience to tell you what to

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NEUROMARKETING TOOLKIT

In addition to fMRI technology, other neuromarketing technologies include biometrics, which measure physiological changes, and steady-state topography, or SST, which uses a skull cap to record electrical changes along the scalp produced by current flows in the brain. While fMRI offers better spatial resolution, SST can record uninterrupted brain activity over a far longer period.

BRAINWAVES

continued from page 19

buy," said Melissa Hobley (FCLC '01), chief marketing officer of the neuromarketing consultancy Buyology, Inc. Brain studies can, however, "go below the surface to understand why we buy what we buy." And that insight can be critical to brands looking to avoid failure. It pays for companies to use neural data to understand customers better than customers understand themselves: "It's proven that consumers can't identify emotions that drive them to buy," Hobley said.

Giving consumers what they want

Hobley's firm specializes in determining what those emotions are. Its weapon of choice? Timed-response online surveys, which force respondents to answer questions before conscious processes kick in. One client, a leading women's magazine, came to Buyology to find out why its newsstand sales were declining. Testing revealed that what people said during traditional market research — the desire to see robust headlines on the cover — was different from what actually attracted them to buy the publication: larger images and less clutter. The magazine tweaked its cover design based on this finding and saw a 10-percent boost in newsstand sales the following month.

Decision-making research and behavioral psychology have long been intertwined, but the rise of neuromarketing has raised some ethical questions. For example, is neuromarketing being used in ways that benefit consumers in addition to the companies that employ it? Nathaniel C. Lupton, an assistant professor of management in the Fordham Schools of Business, views this as an area of concern.

"If firms have to use more intricate methods to squeeze more dollars out of a beleaguered marketplace, maybe the system isn't working that well," he said. He also questions the method's reliability, suggesting that its scientific aura could give people a false sense of confidence in the results.

Komarova cautions against confusing correlation with causality: "Behavioral research gives us reason to believe that A causes B,

but in neuroscience we can only say if A changes, B changes." We can observe, then, how a stimulus and the brain's response may track in parallel, but are warned about concluding that the stimulus is the reason behind a person's thought patterns or behavior.

Is Big Brother watching?

How many companies are already neuromarketing to us? Can we tell? And if we can't, does that point to an ethical problem? That's open to debate. Certainly, manipulative or subliminal marketing has existed for ages, long before it became possible for us to peer inside people's brains. But neuromarketing has compelled academics, ethicists and companies to consider anew whether campaigns informed by neuromarketing amount to "being marketed to without your consent," as Lupton describes it.

Many researchers see positive outcomes from neuromarketing, though. Komarova's research team, for example, has used fMRI data on consumers' responses to deceptive advertising to redefine "deception" and to push for stronger consumer protection. The results were published in a July 2012 article in the *Journal of Marketing Research.*

Where will neuroscience take us in the world of market research — and research on marketing? Will it succeed in identifying what people really want and help companies to provide it? Will it create more ways to convince people they want things they don't need? Or will it educate us about why we do what we do, making us more savvy consumers?

Time will tell.

Leslie Limon is a freelance writer based in Salem, Massachusetts.

What goes up will … go up?

BEHAVIORAL THEORY has informed finance and economics for decades, but these days, it is more sharply focused than ever on understanding investor decision-making. "The 2008 financial crisis showed that standard models have not worked very well," said Sris Chatterjee, professor of finance and associate dean of graduate business education at Fordham's Schools of Business.

Behavioral finance begins with the premise that investors' choices are often inconsistent with rational economic theory. Decision-making models grounded in human psychology offer better explanations. One is the human impulse to avert losses, and another is our need to justify transactions. Momentum, a phenomenon that defies traditional economics, is a third.

"The data of stock prices and returns show that stocks that have been doing well for three months will continue to do well for the next three months, and stocks that have not done well recently will tend not to do well in the next three to six months," said Chatterjee, explaining the momentum phenomenon. So much for the caveat that "past performance does not predict future returns," at least in the short term.

Human psychology can thus cause the price of a stock to deviate considerably from its intrinsic value — causing market performance to fly in the face of "rational" thinking. Just ask hedge fund investors who suffered huge losses by assuming the market would quickly correct overvaluations. "Behavioral theory tells us price dynamics are not that clear-cut," said Chatterjee, who is teaching Behavioral Finance as part of the Gabelli School's value investing specialization. Contrary to what hedge fund investors were betting on, he explained, "an overpriced stock may actually trade at even higher prices before going down to its fundamental value."

– Limon

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iPhone or MyPhone?

THE BUZZ ON BRANDS AND HOW LETTERS AND SOUNDS MAKE A DIFFERENCE

By Dave Reid

Hydro-Vive shampoo and Gain laundry detergent: It turns out that the very sounds in their names help them stick in the minds of consumers.

In a world of sound bites and slogans, individual sounds and letters also carry their own meanings, and marketing professors at the Fordham Schools of Business are working to unlock them.

Say, for example, a company wants the name of its new cell phone to convey "speed" and "small size" to consumers in English, Spanish, French and even Chinese. Research points to a strategy for English: The short "i" sound in a product's name makes it subconsciously attractive to shoppers. What's true in English may hold true in other tongues, too: Dawn Lerman, Fordham marketing area chair and director of the Center for Positive Marketing, co-authored a paper that showed widespread common ground in what certain sounds telegraph to speakers of various languages.

The implication for the business community is obvious: "This gives us the opportunity to develop brand names around the world," Lerman said.

The "language of consumers" is the focus of a mini-course in the new master of science in marketing intelligence program at Fordham's Graduate School of Business Administration. The class delves into how to communicate with consumers and how to deliver messages that resonate.

The role of letters and sounds also has been explored at Fordham's Gabelli School of Business, in original research done by a Class of 2011 student during her senior year. With the help of assistant professor Luke Kachersky, Nicole Palermo (GSB '11) investigated how consumers' reactions to the words used in brand names were influenced by a surprising factor: how people think or feel about themselves. Palermo looked at products whose names contain personal pronouns like "I" or "my," such as the iPhone and the social-media site MySpace. Her investigation showed how product- and brand-name choices might be motivational to certain consumers.

When a product name has the pronoun "I" paired with a verb, consumers "start thinking of themselves using that product," Kachersky said, summarizing one of Palermo's main findings. Meanwhile, pairing the pronoun "my" with a noun in a product name induces consumers to think of themselves as product owners even prior to purchase.

Kachersky and Palermo have expanded this thesis work, and the results will be published soon in the *Journal of Brand Management.*

Kachersky has done product-name research that goes hand-in-hand with his mentee's, such as exploring the subconscious connections that consumers make with products that share their "name letters": D for David or L for Luke. He found that consumers don't like to encounter their name letter in a negative context and will steer clear of purchases if that happens. A study of eBay auctions revealed, for example, that buyers avoided products or sellers that shared their name letter when there was risk involved, such as a high price. "The buyer will subconsciously avoid the seller as a means of denying the (potentially negative) association implied by the shared name letter," Kachersky said.

With the hiring of Marina Carnevale, a new assistant professor whose interests in sensory marketing include language, Lerman believes that Fordham "has an opportunity to be a hub for this kind of research" and for applying it to the marketplace. She herself conducts "brand language audits" that look at all the communications associated with a brand, evaluating effectiveness down to each comma.

Language, Lerman said, has been "a missing link for how we understand the consumer" and "affects how we perceive brands and, as a result, what we buy." It's a missing link that Lerman and her colleagues are happy to help provide.

Dave Reid is a freelance writer based in New York City.

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talk

Photo by Lucas Noonan

Linnette Attai (GBA '10), president and founder of PlayWell, LLC.

Tots and taglines

By Claire Curry

Toddlers are growing up on tablets, and tweens are texting and socializing online. Children are taking the lead in exploring new media platforms, and marketers are meeting them at every one, opening doors to opportunity — and serious vulnerability if it's not done right.

Young minds can be innocent and impressionable, and marketers must communicate to children appropriately. Mistakes are costly, and it's difficult, if not impossible, to cleanse a tarnished reputation.

Linnette Attai (GBA '10), president and founder of PlayWell, LLC, and former vice president of standards and practices at Nickelodeon, discusses the challenges companies face in a world of changing media and of children who are savvy consumers, with greater influence on family purchasing decisions than any generation before.

How is technology shaping marketing to kids?

Technology has brought incredible opportunities to reach and serve children. One study found that 9 percent of preschool students can tie their shoelaces, but 20 percent can play an app. Whatever the next new media platform is, kids will be there first. It is more important than ever to protect children's privacy and safety in the emerging media space, while giving children the freedom to play and grow along with technology.

Who is responsible for protecting our kids?

Marketers, industry regulators and parents share responsibility. Advertising and marketing to children are done with robust guidance, such as regulations like the FCC's Children's Television Act, designed to prevent over-commercialization of children's media, and the FTC's Children's Online Privacy Protection Act.

The best in the business will apply the concepts behind the laws to emerging media platforms. Parents must set limits and help their children safely navigate the world we live in.

What can firms do to act ethically?

Because children may not understand the intent of marketing, they often trust messages implicitly. To embrace the responsibility that comes with that trust, companies need a culture of compliance to ethical standards, knowledge of regulations, and an understanding of the cognitive skills and limitations of their audience.

How costly are mistakes?

In digital and mobile businesses, privacy and safety considerations need to be part of the design process. We've seen two horrifying examples recently of the dangers, even when companies may have thought that they had it right. Skout, a dating app for adults, launched a teen version. After three sexual assaults were connected with the app, it was shut down. In another case, a Channel 4 (UK) investigation found explicit sexual content in HabboHotel.com, a social-networking site for teens. As a result, an eight-year investor dumped a 13-percent stake in the business.

How can we improve?

We need to help parents better understand technology and social media so that they can set proper limits for their children. We also need to find a balance that allows kids to use technology with appropriate caution. For example, many children know that online privacy is a concern, but they don't know why. As a result, they aren't as cautious about giving out their personal information as they should be. Education in the form of media literacy can help fill that gap.

Photo by Michael Falco

Come visit!

Hughes Hall, a 19th-century stone building at the heart of Fordham's Rose Hill campus, has been many things, including the site of Fordham Prep and a freshman dorm. It is now the new home of the Gabelli School of Business.

Renovations completed this summer retained the traditional Fordham façade but fully replaced the interior with a state-of-the-art business learning environment, including an enhanced trading room, video-equipped classrooms and warm gathering spaces for students. Fordham business community members are encouraged to visit!

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Fordham business students are heading to India, a destination for three new courses in the Gabelli School's Fair Trade program as well as GBA's 3C MGM — a global master's degree program that includes studies in the United States, Europe and India.

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