widely believed that retained customers are much more profitable than new customers. A significant component of this enhanced profitability arises from "cross-selling". This term is commonly understood to describe the process of demand generation in product categories in which current customers have not yet made any purchases.

Cross-selling has been a key driver of merger and acquisition activity across a variety of service and information industries in recent years (e.g., the acquisition of Citibank by Traveler's Group). Managerial actions have typically been justified on the basis of potential gains from cross-selling on the demand (e.g., lower customer acquisition, higher margins etc.) and the cost (e.g., economies of scope) sides. However, though cross-selling sounds easy in concept, firms have found it hard to generate the additional synergies, especially on the demand side (e.g., industry sources note that 75% of cross-selling in the banking industry is unprofitable).

The objective of this research is to develop a comprehensive structural framework to describe cross-selling. In simple terms, we define cross-selling as the process by which a firm is able to expand the scope of its relationship with its current customer base. We postulate that customers engage in repeated interactions with a firm in a given context. These interactions could range across service requests, product purchases, customer surveys and service recovery/problem resolution. These series of interactions impacts the level of "trust" between the firm and the consumer. In other words, the consumer learns about various aspects of firm quality and performance through these interactions. At some point, the level of trust crosses a critical threshold and the customer begins interacting ith the firm in another context - typically a different product class.

We translate this conceptualization into an econometric model. This model allows us to identify the most likely targets for cross-selling and then to predict the expected timing of cross-sell using a hazard function approach. We estimate our model on a proprietary dataset and discuss the managerial implications of our findings.

Impacting the Decision Making Process of Online Consumers:
Concept and Examples of Insurance Solutions

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Primary Presenter: Claudia Loebbecke

Consumers are still apprehensive regarding the use of the Internet for private purchasing, including the risk of misuse of personal data and unsolved legal positions. Since the Internet creates shopping habits where buyers and sellers are spatially and temporally separated, the actors stay widely anonymous. Online buyers as well as online retailers face the problem of appraising the integrity and respectability of the business partner. Hence, the level of trust is seen as a key differentiator for determining the success and failure of activities in electronic markets. A variety of trust-building components exists that can be integrated in the web site composition of

the online retailer to communicate confidence e.g., online communities, links from other trusted sites or third-party seals of approval. The function of these components is to act as stimuli in the decision making process of the online buyer and to influence the consumer's purchasing behavior. During the evaluation phase of his decision making process the online consumer compares alternatives and perceives the trust-building measures as beneficial factors. However, the majority of trust-signaling features for online transactions can be categorized as only trust-supportive 'symbols'. Since they lack any form of guarantee and insurance for the parties involved, the success of their implementation highly depends on the estimation and belief of the individual online buyer. In this context, the paper seeks to explore the concepts and potential contributions of contract-based guarantees and insurance services as a marketing tool for supporting the consumer's decision making in the online purchasing decision process. The paper drafts a first research framework for investigating different insurance solutions and analyzes the benefits and risks for online buyers, online retailers and the insurance supplier. Potentials and limitations of extending the concept along the dimensions 'scale' and 'scope' are presented. Suggestions for further research round off the paper.

Customer Satisfaction and the Innovative Product Upgrade Decision

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Firms undergo considerable expense and effort to achieve high customer satisfaction. Most customer satisfaction research examines the repeat purchase decision, where consumers with a certain level of satisfaction decide whether to buy the identical (or nearly identical) product again. A much smaller amount of research concerns how satisfaction impacts the product upgrade decision, particularly for innovative products where the upgraded product may be substantially different from the "baseline" product consumers have already experienced. In our research we address whether and how customer satisfaction for the baseline product impacts the decision to upgrade to the radically improved product.

We approach this issue from two main perspectives. First, since the upgraded product can have little resemblance to the baseline product, consumer satisfaction and experience with the baseline may have little to do with the upgrade decision. In other words, consumers may approach the problem more as a new purchase and not use the baseline product as a baseline at all. We therefore first determine whether and how satisfaction and experience with the baseline impacts upgrade intent. Second, if indeed the baseline product impacts the upgrade decision, firms may benefit from understanding this relationship at the attribute level to aid in product design and customer communications. We therefore also examine whether a customer's evaluation of the upgrade product is differentially affected for product attributes that are shared versus unshared with the baseline product. We use data from an innovative consumer product study as our empirical basis.