**WEB APPENDICES**

**Customer Satisfaction and its Impact on the Future Cost of Selling**

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**Web Appendix A**

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| **TABLE A1:** **COMPARING THE COST RELATED CONCEPTS** |
|   |   | **Correlation Matrixa** |
|   | **Variable** | *1* | *2* | *3* | *4* |
| 1 | COS | 1.000 |  |  |  |
| 2 | SG&A | **.295** | 1.000 |  |  |
| 3 | COGS | **.877** | **.260** | 1.000 |  |
| 4 | OPEX | **.879** | **.293** | **.999** | 1.000 |
| Mean | 4681.037 | 432.002 | 16601.210 | 17033.220 |
| Standard Deviation | 7657.477 | 1083.776 | 30484.380 | 30784.850 |
| *Notes.* COS = Cost of Selling; SG&A = Selling, General and Administrative Expenses minus COS; COGS = Cost of Goods Sold; OPEX = Operating Expenses minus COS. aNote that to obtain meaningful correlations of COS with the other cost related concepts, we subtract COS from SG&A and OPEX as it is a subset of SG&A and OPEX (see Table 1, COMPUSTAT Online Help Manual SG&A and COMPUSTAT Online Help Manual OPEX for the definitions of COS, SG&A and OPEX respectively). We do not subtract COS from COGS as there are no common cost elements between the two cost related concepts (see Table 1 and COMPUSTAT Online Help Manual COGS for the definitions of COS and COGS respectively).Correlations that are significant at *p* < .10 (two-sided) appear in bold. The mean, standard deviation and correlation values of the variables appear in their original values, i.e., before applying any variable transformations. There are 1,207 observations from 128 firms. |

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| **TABLE A2:** **EXEMPLIFYING THE COS MEASURE** |
|   |   | **Components of COS**a |
|  |  | **Cost of Persuasion** | **Cost of Convenience** |
|  | Year | Firm | *Commissions* | *Marketing Expense* | *Advertising Expense* | *Freight-Out Expense* | *Bad Debt Expense* |
| Low COS | 2000 | VF Corp | NM | NM | $252 million | $54 million | $13 million |
| 2006 | Delta Air Lines Inc | $888 million | NM | $150 million | NM | $5 millionb |
| 2008 | Overstock.com Inc | NM | $58 million | $53 million | NM | $1 million |
| 2009 | Kade Spade & Co | NM | $27 million | $85 million | $118 million | $20 million |
| 2012 | Facebook Inc | NM | $896 million | $67 million | NM | $9 million |
| High COS | 2000 | Colgate-Palmolive Co | NM | NM | $551 million | $620 million | $10 million |
| 2006 | eBay Inc | NM | $1620 million | $871 million | NM | $101 million |
| 2008 | American Airlines Group Inc | $997 million | NM | $153 million | NM | $6 million |
| 2009 | Hillshire Brands Co | NM | NM | $282 million | $693 million | $12 million |
| 2012 | Amazon.com Inc | NM | $2408 million | $2000 million | $5134 million | $136 million |
| *Notes.* COS = Cost of Selling; NM= Not Material: Following “*SEC Regulation S-X (17 CFR Part 210) §210.402 Items not material”* and the materiality principle in accounting (for example, see Etzion and Ferraro 2010), expense items that are not disclosed separately in the 10-K filings are considered to be not material, i.e., the amount is not significant enough to be disclosed as a separate item. Note that this is consistent with our approach to construct our focal measure of COS. aThe corresponding values for each of the expense item (i.e., commissions, marketing, advertising, freight-out and bad debt expense) are obtained from the firm’s 10-K filing of the indicated fiscal year unless otherwise mentioned. We express all values in millions of dollars and round them off to the nearest whole number. bThe bad debt expense recorded for Delta Air Lines Inc for fiscal year 2006 is as disclosed in its 10-K filing for the following fiscal year. We identify a firm to have Low (High) COS if the value of its COS is smaller (greater) than the 50th percentile value of the distribution of the COS variable within our sample of 1,207 observations from 128 firms.  |

**Web Appendix B**

**Text Analyses Using WRDS SEC Analytics Suite**

The WRDS SEC Analytics Suite allows for the mass extraction of data from the content of SEC filings into formats that can be analysed using standard statistical software packages like SAS and STATA (Moussawi 2011; WRDS SEC Analytics Suite). With access to every filing in the SEC EDGAR database since 1994, the WRDS SEC Analytics Suite provides the ability to conduct text searches from more than 3.5 million text and html files for several types of SEC filings, including the 10-K filings, from more than 95,000 firms (WRDS SEC Analytics Suite). In conducting the text analyses to identify the different expense items within a firm’s Selling, General and Administrative Expenses (SG&A), we draw upon the search query tool, *SEC Filings Search*, within the WRDS SEC Analytics Suite. The SEC Filings Search is a powerful search query tool as it utilizes Apache Lucene and Solr to accommodate full-text searches of every filing, hence allowing query syntaxes ranging from simple searches, to phrase and vicinity searches, compound searches and even complex and advanced queries. More technical details can be found in Wharton Research Data Services (2015). We briefly summarize our text analyses process using the SEC Filings Search below.

The SEC Filing Search query tool is available either through web queries or using WRDS Research Macros. As our text analyses utilize the latter, we will focus our discussion on the use of the query tool using WRDS Research Macros that are available in SAS as standardized routines (Wharton Research Data Services 2015). First, we conduct a line-by-line and case insensitive search using the Line Parse Macro (i.e., LINEPARSE.SAS). This allows us to identify the presence or absence of the particular expense item in the firm’s SG&A. If the search results in a match, it suggests that the expense item is disclosed as a separate item in the firm’s 10-K filings. However, we would require additional information in order to determine if this item is categorized under the firm’s SG&A. As such, in the second step, we use the Text Parse Macro (i.e., TEXTPARSE.SAS) to extract the preceding 1000 characters in addition to the match line so as to retrieve the information that occurs before the matched keyword(s) and/or phrase(s) of interest. Given that we have verified the presence of the specific expense item in the firm’s SG&A in the first two steps, we can then proceed to gather the values associated with the expense item. Therefore, we draw upon the Paragraph Parse Macro (i.e., PARAPARSE.SAS) to extract the paragraph (i.e., 5 lines) before and after the match string in the final step.

We adopt a systematic approach in our text analyses process. In particular, we conduct text searches of each expense item in isolation. For instance, we first conduct the text searches to identify the presence of *Engineering expense* in firms’ SG&A before moving on to each of the next 4 expense items. This increases the accuracy of the data gathered for each expense item. In addition, for further verification purposes, and for the sensitivity and post-hoc analyses, we also conducted text searches for *General and Administrative expense* and *Selling expense*, and *Freight-out expense* and *Bad debt expense* respectively. Finally, to further ensure the accuracy and validity of the text analysis tool, we also performed manual checks of the different expense items to determine if the search results and the corresponding values accurately reflect the expense items of interest.

In determining the keywords to be utilized in the text searches for each of the expense item, we first conduct a preliminary search of randomly selected 10-K filings of several firms within our sample. We then arrive at the current set of keywords based on the frequently used words and phrases associated with each expense item from our preliminary investigation. The keywords specified for each of the expense items are as follows. For *Engineering expense*, we use combinations of “engineering”, “expense”, “cost”, and “spending”. For *Foreign currency adjustments*, we use combinations of “foreign currency”, “adjustment”, “cost”, and “loss”. For *Indirect costs*, we use combinations of “indirect”, “expense”, “cost”, and “spending”. For *Strike expense*, we use combinations of “strike”, “expense”, “cost”, and “spending”. For *Extractive industries' expenses*, we use combinations of “exploration”, “expense”, “cost”, and “spending”. For *General and Administrative expense*, we use combinations of “general”, “administrative”, “general and administrative”, and “expense”. For *Selling expense*, we use combinations of “selling”, “sales”, “sales and marketing”, “expense”, “cost”, and “spending”. For *Freight-out expense*, we use combinations of “freight”, “freight-out”, “distribution”, “shipping”, “transportation”, “warehousing”, “handling”, “expense”, “cost”, and “spending”. Finally, for *Bad debt expense*, we use combinations of “bad debt”, “uncollectible accounts”, “uncollectible debt”, “doubtful accounts”, “doubtful debt”, “credit losses”, “expense”, “cost”, and “spending”.

**Web Appendix C**

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| **TABLE C1:** **CONTROL VARIABLES, MEASURES AND DATA SOURCES** |
| **Variable** | **Measure** | **Data Source** | **Reference** |
| Firm Diversification | One minus the Herfindahl index of firm sales across all its business segments (DT: SALES). | COMPUSTAT Segment Database | Kovach et al. (2015) |
| Capital Intensity | Ratio of the firm’s net plant, property, and equipment (DT: PPENTQ) to its total assets (DT: ATQ). | COMPUSTAT | McAlister et al. (2016) |
| Financial Leverage | Ratio of the firm’s total long-term debt (DT: DLTTQ) to its total assets (DT: ATQ). | COMPUSTAT | Wies et al. (2019) |
| Tobin’s Q | The sum of the product of the firm’s share price (DT: PRCCQ) and its number of common stock outstanding at the end of the year (DT: CSHOQ), the firm’s preferred stock (DT: PSTKQ), its long-term debt (DT: DLTTQ), the firm’s short-term debt (DT: DLCQ), scaled by the firm’s total assets (DT: ATQ). | COMPUSTAT | Anderson, Fornell, and Mazvancheryl (2004) |
| Inventory Slack | Ratio of the firm’s total inventory (DT: INVTQ) to its sales (DT: REVTQ). | COMPUSTAT | Chen, Frank, and Wu (2005) |
| Retained Earnings | Ratio of the firm’s retained earnings (DT: REQ) to its total assets (DT: ATQ). | COMPUSTAT | Lee and Grewal (2004) |
| Working Capital | The difference in the firm’s current assets (DT: ACTQ) and its current liabilities (DT: LCTQ) scaled by its total assets (DT: ATQ). | COMPUSTAT | Fang, Palmatier, and Steenkamp (2008) |
| R&D Intensity | Ratio of the firm’s R&D expenditures (DT: XRDQ) to its total assets (DT: ATQ). | COMPUSTAT | Luo and Bhattacharya (2009) |
| Industry Concentration | The four-digit NAICS Herfindahl index of firm sales (DT: REVTQ). | COMPUSTAT | Gruca and Rego (2005) |
| Industry Growth | The difference in the natural logarithm of the sum of the total sales of the firms within the same four-digit NAICS code at the end of the current year from the end of the preceding year (DT: REVTQ). | COMPUSTAT | Whitler, Krause, and Lehmann (2018) |
| Industry Turbulence | The standard deviation of the sum of the total sales of the firms within the same four-digit NAICS across the prior four years scaled by the mean value of the sum of the total sales of the firms within the same four-digit NAICS code for those four years (DT: REVTQ). | COMPUSTAT | Fang, Palmatier, and Steenkamp (2008) |
| Industry Labor Intensity | The average ratio of the number of employees (DT: EMP) to total sales (DT: REVTQ) of the firms within the same four-digit NAICS code. | COMPUSTAT | Liu, Shankar, and Yun (2017) |
| *Notes.* DT = Data Item; NAICS = North American Industry Classification System; SEC = Securities and Exchange Commission. We refer to year as the aggregation of data over the four quarters corresponding to the period between the American Customer Satisfaction Index scores. |

**Web Appendix D**

**Operationalization of the Weights**

We operationalize the weights for the relationships between the focal firm and its peers as follows. First, we adopt the Classical Multidimensional Scaling method (Borg and Groenen 2003; Kruskal and Wish 1978) to create a positioning map with two dimensions for each ACSI-defined sector in a given time period based on firms’ similarity in a myriad of firm characteristics. Specifically, to capture their similarity in market values and the extent of geographical diversification, we include market capitalization and the proportion of non-domestic sales as firm characteristics. In addition, we also include firm size and firm age to account for the similarity in firms’ level of maturity and business life cycle (Bendig et al. 2018). Second, based on the positioning maps created in the previous step, we obtain the Euclidean distances between all firms in each ACSI-defined sector in a given time period. The smaller (greater) the Euclidean distance between a pair of firms, the more (less) similar they are. For example, considering the Transportation sector in 2010, American Airlines is more similar to Delta (i.e., Euclidean distance = 1.333) and less similar to Southwest (i.e., Euclidean distance = 21.052) (see Table D1).

 Finally, we compute the weight of the relationship between focal firm and its peer as the difference in the total Euclidean distance of the focal firm and the Euclidean distance from its peer scaled by the total Euclidean distance. To illustrate, consider American Airlines as the focal firm and US Airways as its peer (see Table D1). The total Euclidean distance of American Airlines will therefore be the sum of the Euclidean distances between American Airlines and all its peers, which equals 109.764. Given that the Euclidean distance between American Airlines and US Airways is 33.023, the difference in the total Euclidean distance of American Airlines and its Euclidean distance from US Airways will be 76.741. Scaling this value by the total Euclidean distance of American Airlines (i.e., 109.764) will produce the weight of the relationship between this pair of firms (i.e., .699). The underlying logic is that peers with firm characteristics that are more (less) similar to that of the focal firm are weighted more (less) heavily. Our approach is consistent with recent findings in marketing that show that firms tend to mimic the actions of similar peers (e.g., Shi, Grewal, and Sridhar 2020).

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| **TABLE D1:** **EXAMPLES OF THE MEASUREMENT OF THE WEIGHTED PEERS’ CUSTOMER SATISFACTION SCORES IN ACSI TRANSPORTATION SECTOR (2010)** |
| **Firm** | **ACSI-defined Industry** | **Brand** | **CS Scorea** | **Euclidean Distances** | **Weights** | **Weighted Peers’ Customer Satisfaction Score** |
| *Brand ID* | *Brand ID* |
| *ID* | *Name* | *1* | *2* | *3* | *4* | *5* | *6* | *7* | *8* | *9* | *1* | *2* | *3* | *4* | *5* | *6* | *7* | *8* | *9* | *Per Brand* | *Per Firm* |
| American Airlines Group Inc | Airlines | 1 | American | 63 | − | 1.333 | 1.333 | 28.110 | 21.052 | 0.333 | 0.333 | 24.248 | 33.023 | − | 0.988 | 0.988 | 0.744 | 0.808 | 0.997 | 0.997 | 0.779 | 0.699 | 69.489 | 69.489 |
| Delta Air Lines Inc | Airlines | 2 | Delta | 62 | 1.333 | − | − | 28.037 | 21.020 | 1.303 | 1.303 | 24.115 | 33.088 | 0.988 | − | − | 0.746 | 0.809 | 0.988 | 0.988 | 0.781 | 0.700 | 71.072 | 71.072 |
| Airlines | 3 | Northwest Airlines | 61 | 1.333 | − | − | 28.037 | 21.020 | 1.303 | 1.303 | 24.115 | 33.088 | 0.988 | − | − | 0.746 | 0.809 | 0.988 | 0.988 | 0.781 | 0.700 | 71.072 |
| FedEx Corp | Consumer Shipping | 4 | FedEx | 85 | 28.110 | 28.037 | 28.037 |  | 7.353 | 28.120 | 28.120 | 4.118 | 6.209 | 0.822 | 0.823 | 0.823 | − | 0.953 | 0.822 | 0.822 | 0.974 | 0.961 | 67.920 | 67.920 |
| Southwest Airlines | Airlines | 5 | Southwest | 79 | 21.052 | 21.020 | 21.020 | 7.353 | − | 21.038 | 21.038 | 4.299 | 12.188 | 0.837 | 0.837 | 0.837 | 0.943 | − | 0.837 | 0.837 | 0.967 | 0.906 | 68.697 | 68.697 |
| United Continental Holdings Inc | Airlines | 6 | Continental | 71 | 0.333 | 1.303 | 1.303 | 28.120 | 21.038 | − | − | 24.262 | 33.019 | 0.997 | 0.988 | 0.988 | 0.743 | 0.808 | − | − | 0.778 | 0.698 | 69.732 | 69.732 |
| Airlines | 7 | United | 60 | 0.333 | 1.303 | 1.303 | 28.120 | 21.038 | − | − | 24.262 | 33.019 | 0.997 | 0.988 | 0.988 | 0.743 | 0.808 | − | − | 0.778 | 0.698 | 69.732 |
| United Parcel Service Inc | Consumer Shipping | 8 | UPS | 82 | 24.248 | 24.115 | 24.115 | 4.118 | 4.299 | 24.262 | 24.262 | − | 10.132 | 0.826 | 0.827 | 0.827 | 0.970 | 0.969 | 0.826 | 0.826 | − | 0.927 | 68.369 | 68.369 |
| US Airways Group Inc | Airlines | 9 | US Airways | 62 | 33.023 | 33.088 | 33.088 | 6.209 | 12.188 | 33.019 | 33.019 | 10.132 | − | 0.830 | 0.829 | 0.829 | 0.968 | 0.937 | 0.830 | 0.830 | 0.948 | − | 70.994 | 70.994 |
| *Notes.* ACSI = The American Customer Satisfaction Index; ID = Identification number; CS Score = Customer Satisfaction Score. aThese are the actual customer satisfaction scores as per the ACSI website for the brands that belong to the various ACSI-defined industries classified in the Transportation sector for the data year 2010. Consistent with our measurement of a firm’s overall customer satisfaction, for firms that possess multiple brands across several ACSI-defined sectors, we take the average weighted peers’ customer satisfaction scores across these sectors. |

**Web Appendix E**

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| **TABLE E1:** **RESULTS FROM AUXILIARY REGRESSION** |
|  |  | **Coeff** | **(SE)** |  |
| **Exclusion Restriction**  |  |  |  |
|  | Weighted Peers’ Customer Satisfaction | .567 | (.057) | \*\*\* |
| **Firm-Level Controls** |  |  |  |
|   | Firm Diversification | -.006 | (.400) |  |
|  | Capital Intensity | 2.157 | (1.052) | \*\* |
|  | Financial Leverage | -.692 | (.685) |  |
|  | Tobin’s Q | .611 | (.071) | \*\*\* |
|  | Inventory Slack | 3.813 | (1.848) | \*\* |
|  | Working Capital | 2.133 | (.879) | \*\* |
|  | Retained Earnings | -.618 | (.330) | \* |
|   | R&D Intensity | -19.039 | (6.347) | \*\*\* |
|  **Industry-Level Controls** |  |  |  |
|  | Industry Concentration | -2.211 | (1.600) |  |
|  | Industry Growth  | -.154 | (.828) |  |
|   | Industry Turbulence  | -1.108 | (1.306) |  |
|  | Industry Labor Intensity | 1.495 | (4.182) |  |
|  **Firm Fixed-Effects** | Included |
|  **Year Dummies** | Included |
|  **Constant** | .229 | (.400) |  |
|  **Summary Statistics** |  |  |
|  | F-Statistic (df) | 15.510 (31, 1048) | \*\*\* |
|  | N (n) |  1,207 (128) |
|  **F-Test for Instrument Strength** |  |
|  | F-Statistic (df) | 98.570 (1, 1048) | \*\*\* |
| *Notes*. \* *p* < 0.10; \*\* *p* <0.05; \*\*\* *p* < 0.01 (two-sided); Coeff = Coefficient; SE = Standard Error; N (n) = Total number of observations (unique firms). All continuous variables are winsorized at the 1st and 99th percentile levels. All continuous variables are mean centered. |

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| **FIGURE E1:** |
| **HISTOGRAM OF WEIGHTED PEERS’ CUSTOMER SATISFACTION BY ACSI-DEFINED SECTORS** |
|    < 7076 – 7878 – 8181 – 82> 8274 – 7670 – 74   |
| *Notes.* ACSI = American Customer Satisfaction Index. The histogram is generated based on the raw values of weighted peers’ customer satisfaction scores, i.e., before applying any variable transformations. |

**Web Appendix F**

**Detailed Explanation of Sensitivity Analyses**

*Alternative Instrument.* Since the type of instrument utilized can significantly influence the parameter estimates of our model, we examine the robustness of our results to alternative instruments. First, we re-estimate our model using the common operationalization of peer-based instrument – the Unweighted Peers’ Customer Satisfaction, where we compute the peer average customer satisfaction scores excluding that of the focal firm within an ACSI-defined sector. Second, we assess the robustness of our results using the Weighted Non-Industry Peers’ Customer Satisfaction as an alternative instrument. Specifically, we modify the computation of our focal instrument using an alternative way of identifying peers, i.e., firms with brands that are classified in the same ACSI-defined sector as that of the focal firm but not within the same ACSI-defined industry. To illustrate, consider the Transportation sector in 2010 (see Web Appendix D, Table D1). Using the alternative way of identifying peers, all the airlines are considered peers of FedEx, while UPS is not considered a peer. Reassuringly, our results remain largely unchanged in both instances (see Table F1).

*Results without Control Function.* We also investigate the sensitivity of our results to the use of the control function approach. Specifically, we re-estimate the model without any endogeneity correction. Our substantive conclusions remain unchanged (see Table F1).

 *Alternative Model Specification.* We re-estimate our model using the following alternative model specifications – a model with firm random effects and year dummies, a model with firm fixed effects and no year dummies, and a model with random effects and no year dummies. Across the analyses, our conclusions remain unchanged (see Table F1).

 *Alternative Industry Classification*. We also examine the sensitivity of our findings to alternative industry classifications by using five-digit NAICS, six-digit NAICS and four-digit Standard Industrial Classification (SIC) codes as alternative definitions of a firm’s industry. We find that our substantive results remain largely unchanged (see Table F1).

 *Alternative Dataset.* Consistent with prior research (e.g., Fornell, Rust, and Dekimpe 2010), we examine if our findings are subjected to the idiosyncrasies of the selected sample period. Particularly, we estimated a model using data prior to 2010 to control for the change in reporting standards in that year (ACSI 2016). As observed in Table F1, our findings remain unchanged.

 *Alternative Dependent Variable.* To investigate the robustness of our results to alternative computations of our dependent variable, i.e., COS, we also re-estimate our model by excluding freight-out and bad debt expenses respectively. Specifically, we use the same procedure as outlined in the “*Measures and Data*” section of the paper to identify and subtract freight-out and bad debt expenses from our focal measure of COS. Please refer to Web Appendix B for the set of keywords used in the text analyses to search for freight-out and bad debt expenses in firms’ 10-K filings. In addition, we also re-estimate our model using a commonly used SG&A-based proxy of selling-related expenses, i.e., a firm’s SG&A scaled by its total sales. Reassuringly, our results remain unchanged across all analyses (see Table F1).

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| **TABLE F1:** **RESULTS OF SENSITIVITY ANALYSES** |
|  | *Hypotheses and its Expected Sign* |
|  | **– H1** | **? H2** | **+ H3** | **+ H4** | **– H5** | **– H6** | **– H7** |
|  | Customer Satisfaction | Interaction of Customer Satisfaction and |
|  | Firm Diversification | Capital Intensity | Financial Leverage | Industry Concentration | Industry Growth | Industry Labor Intensity |
| **Focal Model Results** | -.005 | \*\* | -.003 | \*\*\* | .005 | \*\*\* | .002 | \* | .003 |  | -.005 | \*\*\* | -.035 | \*\* |
| **Alternative Instrument** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  Unweighted Peers’ Customer Satisfaction | -.005 | ††† | -.003 | ††† | .006 | ††† | .002 | †† | .003 |  | -.004 | ††† | -.034 | †† |
|  Weighted Non-Industry Peers’ Customer Satisfaction | -.019 |  | -.004 | ††† | .005 | ††† | .002 | † | .003 |  | -.004 | ††† | -.040 | ††† |
| **Results Without Control Function** | -.001 | ††† | -.003 | ††† | .005 | ††† | .002 | †† | .004 | † | -.005 | ††† | -.034 | ††† |
| **Alternative Model Specification** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  Random Effects with Year Dummies | -.002 | †† | -.003 | ††† | .005 | ††† | .002 | †† | .002 |  | -.005 | ††† | -.040 | ††† |
|  Firm Fixed Effects with No Year Dummies | -.003 | ††† | -.003 | ††† | .005 | ††† | .001 | † | .003 |  | -.005 | ††† | -.034 | †† |
|  Random Effects with No Year Dummies | -.002 | ††† | -.003 | ††† | .005 | ††† | .001 | † | .002 |  | -.005 | ††† | -.041 | ††† |
| **Alternative Industry Classification** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  Five-Digit NAICS | -.005 | †† | -.003 | ††† | .006 | ††† | .002 | †† | .001 |  | -.004 | ††† | -.027 | †† |
|  Six-Digit NAICS | -.004 | †† | -.003 | ††† | .005 | ††† | .002 | †† | .000 |  | -.003 | †† | -.006 |  |
|  Four-Digit SIC | -.005 | ††† | -.003 | ††† | .005 | ††† | .002 | † | -.002 |  | -.004 | ††† | -.002 |  |
| **Alternative Dataset** | -.006 | †† | -.003 | ††† | .005 | †† | .002 | † | .002 |  | -.004 | †† | -.026 | † |
| **Alternative Dependent Variable** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  Excluding Freight-out Expenses | -.005 | †† | -.004 | ††† | .006 | ††† | .002 | †† | .007 | †† | -.004 | †† | -.038 | †† |
|  Excluding Bad Debt Expenses | -.005 | †† | -.003 | ††† | .005 | ††† | .002 | † | .003 |  | -.004 | ††† | -.034 | †† |
|  Using $\frac{SG\&A}{TS}$ | -.005 | †† | -.003 | ††† | .006 | ††† | .002 | †† | .002 |  | -.004 | ††† | -.042 | ††† |
| *Notes*. \* *p* < .10; \*\* *p* < .05; \*\*\* *p* < .01 (two-sided); † *p* < .10; †† *p* < .05; ††† *p* < .01 (one-sided); NAICS = North American Industry Classification System; SIC = Standard Industry Classification; SG&A = Selling, General and Administrative Expenses; TS = Total Sales; $\frac{SG\&A}{TS}$ refers to the ratio of a firm’s SG&A to its total sales. In conducting the sensitivity analyses, we apply the same variable transformations, include the same set of control variables and instruments, and perform the same bootstrap replications as in our focal analysis unless otherwise mentioned.  |

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