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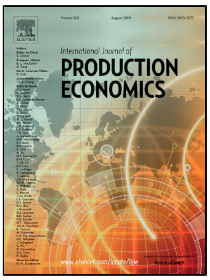

Rebate strategy to stimulate online customer reviews

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Rebate strategy to stimulate online customer reviews

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Abstract

With the development of e-commerce and communication technology, consumers are heavily relying on the online customer reviews to access to more product information before making purchase decisions online. How to stimulate consumers to provide online customer reviews becomes a critical issue for the online retailers. This paper develops an analytical framework to study the online retailer's optimal rebate strategy and product pricing strategy in a two-period setting. Our analysis shows that the review effort plays a critical role in deterring the retailer's rebate decision and pricing decisions. When the review effort is small, it is efficient for the retailer to set a higher rebate value to persuade consumers to share their opinions online, and charge for a higher product price in the first period to extract more profit. We find that the Rebate strategy expands the market demand in the both periods, and earns the retailer more profit. We also examine other influential factors including the unit product cost and the review impact factor.

Keywords: online customer reviews, rebate strategy, consumer behavior, e-commerce, two-period.

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