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What can we learn from advertisements of logistics firms on YouTube? A cross cultural perspective

Yen-Chun Jim Wu [a,*], Taih-cherng Lirn [b,*], Tse-Ping Dong [c]

[a] Department of Business Management, National Sun Yat-Sen University, 70, Lienhai Road, Kaohsiung 80424, Taiwan
[b] National Taiwan Ocean University, Department of Shipping & Transportation Management, No. 2, Pei-Ning Road, Keelung 20224, Taiwan
[c] Graduate Institute of Global Business and Strategy, National Taiwan Normal University, 162, Heping East Road Section 1, Taipei, Taiwan

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ABSTRACT

The current leading third party logistics industry players have all experienced a shift towards an increasingly retail consumer point of contact, therefore facilitating the need to appeal to the retail consumer through advertising and brand management. With the rise in word-of-mouth (WOM) advertising in online, Web 2.0 contexts, this empirical work represented a first attempt to investigate the correlation between the placement of corporate ads on a user-generated Web 2.0 platform with the bottom line of the logistics firms involved, with a focus on the express package industry. The study further investigated whether there were common characteristics of effective advertisements in Web 2.0 environments as rated by viewers, and whether such assessments would hold across cultural and demographic boundaries, given the global nature of Web 2.0 content. It was found that both page hit popularity and respondent agreement on effective advertisement characteristicsrelated positively to sales, with results being consistent cross-culturally. Firms are strongly advised to take note of the massive potential for highly low cost or free advertising such platforms can provide. Conversely, firms must become aware of both the benefits and risks of Web 2.0 environments, including damage caused by potential saboteurs to their brand control and image.

1. Introduction

The vital importance of the logistics service sector to economic development cannot be understated, with total logistics costs in the United States reaching $1.2 trillion in 2010, accounting for 10.4% of GDP (Wilson, 2011). In fact, it has been estimated that up to 25% of the retail cost of the average consumer good can be attributed to logistics costs (Wong, Maher, Nicholson, & Gurney, 2000). The third-party express logistics services industry (3PL) plays an especially important role as supply chains become increasingly global and decentralized (Gunasekaran, 2002; Ratten, 2004; Wong et al., 2000). Firms have been increasingly concerned with concentrating on core competencies, and as a result have turned to 3PL partnerships with the goal of developing a ‘‘seamless system that allows aproduct to be delivered to market efficiently and at minimum cost’’ (Wong et al., 2000, p. 5). Furthermore, the successful outsourcing of the logistics function is becoming seen as a completive advantage in itself (Bottani & Rizzi, 2006; Göl & Catay, 2007; Wang, Lai, & Zhao, 2008; Wong et al., 2000). Firms have found ‘‘greater flexibility, operational efficiency, improved customer service levels, and a better focus on their core businesses as part of the advantages of engaging the services of 3PL providers’’ (Göl & Catay, 2007, p. 379).

Such developments have increased the consumer point of contact for logistics firms, therefore facilitating the need to understand the consumer as well as appeal to them through advertising methods and brand management. The current leading 3PL industry players, which have flourished in recent years, are FedEx (Federal Express), DHL (DHL Global Forwarding) and UPS (United Parcel Service). To attract more business opportunities in such an increasingly competitive and retail oriented industry, the launch of mass advertising campaigns and brand establishment, most often through television broadcasting, has been initiated by all three firms. Despite such changes in the 3PL industry, there has been a notable dearth of research on the marketing and branding efforts of major logistics firms, with one recent exception looking at combative advertising in various industries, including courier services (Chen, Joshi, Raju, & Zhang,2009) while back in 2003 Esper et al.(2003) examined predictions related to effects of online shipping strategies on consumers’ delivery expectations, attitudes, and willingness to purchase the product. Their research suggested that delivery-related expectations were more favorable for the carriers that were higher in consumer awareness (e.g., FedEx, UPS, Airborne).

* Corresponding authors. Tel.: +886 7 5251005; fax: +886 7 5254698 (Y.-C.J. Wu).
E-mail addresses: wuyenchun@gmail.com (Y.-C.J. Wu), tedlirn@mail.ntou.edu.tw (T.-c. Lirn), tpdong@ntnu.edu.tw (T.-P. Dong).

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Despite the widespread use of broadcast television advertising by the 3PL industry, the recent buzz in the marketing literature has been on word-of-mouth (WOM) (Chevalier & Mayzlin, 2006; Dellarocas, 2003; Godes & Mayzlin, 2009; Keller, 2007) advertising, in the moving away from mass, unidirectional (from firm to audience) modes. It has even been said that firms need to "let go of their brands" into the hands of the consumer (Donaton, 2006; Keller, 2007; Rubel, 2009). It has been estimated that there are billions of WOM conversations occurring every day in the United States alone, with over 10% being carried out online (Keller, 2007). The proportion of WOM carried out in virtual environments is certain to grow over the coming decade as the use of the Internetcontinues to expand and becomes more mainstream even though the effect of internet advertising has been a controversial issue (Hsieh & Chen, 2011). Therefore, a more in-depth understanding of how WOM advertising in online contexts spreads, how it is interpreted by consumers, and the potential impacts of such advertising on firms needs to be further addressed in the literature.

Of clear relevance to the spread of WOM advertising in online contexts is the rise of Web 2.0 (Mazurek, 2009; Miller, 2005; Singel, 2005) and its associated applications, especially the social networking phenomenon including video sharing sites such as YouTube (Bausch & Han, 2006; Godwin-Jones, 2007; Hof, 2006). Related to this has been an increasing phenomenon in which individual users place corporate advertisement videos or other materials of firms onto social networking sites, which can then have the potential to spread rapidly. It could be argued that the user placing of corporate advertisement videos on Web 2.0 platforms such as YouTube is a unique case of user generated content (UGC), which has been defined as any creative content published outside of "professional routines and practices" (Wunsch-Vincent & Vickery, 2007, p. 8). In this case, a third party's advertising content receives additional unanticipated exposure, creating either positive or negative effects for the original advertising firm. The viral manner in which such videos can potentially spread makes the issue of particular interest to academics and private sector marketers.

The advertising-driven business model of Web 2.0 platforms such as YouTube is well understood, with the leveraging of the popularity of UGC by the placement of third-party banner advertisements on high traffic content pages and the resulting collection of "click through" revenue, and potentially the addition of pay-per-view services (2009). Interestingly however, the direct (and potentially costless) use of social networking sites such as YouTube as an advertising platform for advertisers has yet to be effectively studied in the literature. This is the case regardless of whether such advertisements are placed directly by firms, or, in the case of the present study, by unauthorized members of the public. Finally, there has certainly been no work done on such Web 2.0 advertising effects on the 3PL industry specifically.

Hence, the purpose of this research was to conduct an exploratory empirical study to investigate UGC advertising in the express 3PL industry, with a focus on the relationship between such user placed corporate ads and the bottom line of firms. Specifically investigated was whether the advertisements of logistics firms placed on the content sharing site YouTube exhibited common characteristics underlying their popularity (as determined by page views), whether such assessments were stable across cultures, given the global proliferative nature of Web 2.0 content, and whether such highly synergistic advertisements correlated with increased sales during the same period of analysis through an empirical correlation questionnaire-based survey design. To the best of our knowledge, this study represents the first attempt to investigate the relationship between the placement of corporate ads on a user-generated Web 2.0 platform with the bottom line of the firms involved. Suchwork on new advertising forms, and marketing in general for that matter, is especially absent in the 3PL industry.

The primary research questions addressed were:

(1) Are there any relationships between the video "synergy" (as subjectively defined by questionnaire-based experimentation) of user generated content, video "hit" popularity, and the hard financial metrics of the firms involved (such as firm sales)?
(2) Since Web 2.0 user generated content proliferates globally, is the appeal of such content free of cultural bias, that is, are there common preferred underling content characteristics across cultures groups?
(3) What are the potential benefits and risks for firms associated with the spread of user generated corporate advertisements in a Web 2.0 environment?

2. Literature review

2.1. Web 2.0, user generated content, and implications for marketing

The term Web 2.0 (Cosh, Burns, & Daniel, 2008; Gorringe, 2008; Mazurek, 2009; Miller, 2005; O'Reilly, 2005a, 2005b; Singel, 2005) has generated considerable hype over recent years, beginning in the wake of the "dotcom" bubble burst at the turn of the millennium, which can be seen in a sense as the death of the Web 1.0. There has been considerable confusion regarding the term Web 2.0 however, as it does not represent a new fundamental technological underlying platform. Rather, Web 2.0 can be described as an attitude rather than technology alone (Miller, 2005), leading to the "development and evolution of web-based communities, hosted services, and web applications" (Graham & Smart, 2010).

The most critical differentiating feature between Web 2.0 and the previous static Web 1.0 is the "architecture of participation" aspect (O'Reilly, 2005a). While Web 1.0 was characterized by a typical push publication model, from content producer to content consumer, content in Web 2.0 has been "freed", to be both created, distributed, and assembled by dynamic networks of individuals, thereby removing proprietary publishing control (Miller, 2005; O'Reilly, 2005b; Singel, 2005). The internet is becoming "increasingly influenced by intelligent web services based on new technologies empowering the user to be an increasing contributor to developing, rating, collaborating and distributing Internet content and developing and customizing Internet applications" (Wunsch-Vincent & Vickery, 2007, p.4). For the purposes of this paper focused on UGC, the critical distinction is that in Web 2.0, "users generate content, rather than simply [consuming] it" (Singel, 2005).

UGC, also known as user created content (UCC) (Ghose & Ipeirotis, 2009; Karahasanović et al., 2009; Morrissey, 2005; Wunsch-Vincent & Vickery, 2007), is, as has been seen, at the heart of Web 2.0. The "Working Party on the Information Economy", under the Organization for Economic Co-operation and Development, has prepared a draft definition of UGC which will be adopted for this study (Wunsch-Vincent & Vickery, 2007). In the draft the working group proposed three characteristics as requirements for content to be defined as user generated: a publication requirement, creative effort, and "creation outside of professional routines and practices" (Wunsch-Vincent & Vickery, 2007, p. 8). The first requirement on publication excludes private online communications such as e-mailand instant messaging, indicating that UGC must exist in some public sphere. The creative effort requirement ensures that users add intrinsic value to the work, either by creating an original work, or modifying, adapting, or assembling existing works. Finally, and in keeping with the stark contrast between the push only publication model of Web 1.0 environments and other traditional mass media, is the requirement that