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“Understanding a fury in your words”: The effects of posting and viewing electronic negative word-of-mouth on purchase behaviors



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ABSTRACT

Marketing scholars and practitioners have long recognized that the power of electronic negative word-of-mouth (e-NWOM) can influence brand revenues and firm performance, but most previous studies have only examined the effect of viewing. This study is one of the initial attempts to test the effects of e-NWOM on both posters and viewers. We also test the moderating effects of company usefulness and company apology in a separate study. Using an observational dataset that contains NWOM viewing and posting records and customers' purchase transactions from a real company, Study 1 finds that viewing e-NWOM has a negative effect on subsequent purchases, whereas posting e-NWOM has a positive interaction effect with company usefulness. Study 2 shows that a company's public apology has a positive effect on viewers, but not posters. We conclude with the theoretical, methodological, and managerial implications of e-NWOM and webcare research.

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1. Introduction

The study of word-of-mouth (WOM) is not new (Richins & Root-Shaffer, 1988; Verhagen, Nauta, & Feldberg, 2013; Westbrook, 1987), but recently it has attracted much attention from scholars and practitioners with the advancement of Web 2.0 and subsequent development of social media platforms. Despite the recognition that WOM can influence brand awareness, attitude, or purchase decision, traditional WOM research has faced challenges in tracking WOM due to its interpersonal and ephemeral nature. In the era of Web 2.0, consumers are able to voice opinions about a brand on various digital media platforms such as brand websites, personal blogs, social media, or third-party review sites where their comments are read by other consumers in real time (Pitt, Berthon, Watson, & Zinkhan, 2002). The same technological environment allows scholars to collect and analyze the actual WOM data from these media channels and estimate their impact on consumers who participate in WOM activities.

The proliferation of electronic WOM (e-WOM) has transformed the ways in which marketing communication has traditionally operated as one-way communication from companies to consumers via mass communication channels (Campbell, Pitt, Parent, & Berthon, 2011). Consumers no longer solely rely on ad messages to obtain brand information and make a purchase decision (Edelman, 2010). User-generated content, e-WOM, or online conversations between companies and consumers can all influence consumer behavior due to easy accessibility of these messages. A Nielsen report (2013) finds that consumer opinions posted online are trusted more than ads delivered via mass media. More than two thirds of consumers also report that they take action after reading other consumers' e-WOM messages, showing its potential as a new form of social influence that impacts consumer trust and behavior.

E-WOM poses new challenges to companies since they cannot control its creation and dissemination. In particular, the power of e-WOM is amplified when consumers share negative feelings and thoughts publicly online after experiencing dissatisfaction with a product or service. Many anecdotes have shown that a brand's image can be tainted by a single negative piece of user-generated content that gets propagated (e.g., “United Breaks the Guitars”). Dissatisfied customers express electronic negative WOM (e-NWOM) on company websites, online review sites, third-party complaint sites or

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social media channels. Research has shown that unfavorable messages posted on these online outlets can negatively influence consumers' attitudes and behaviors (Bickart & Schindler, 2001; Chevalier & Mayzlin, 2006; Davis & Khazanchi, 2008; Doh & Hwang, 2009; Liu, 2006; Park & Lee, 2009; Reichheld, 2003).

On the flip side, other case studies have shown that prompt responses to e-NWOM crises can stimulate advocacy and contribute to regaining trust and satisfaction from customers (e.g., the Customer Bill of Rights by JetBlue or the Pizza Turnaround by Domino's). Online feedback mechanisms serve as an effective and cost-efficient way for companies to rebuild their online reputation during such crises. By actively searching for consumers' complaints and providing a remedy for a cause of dissatisfaction, firms can prevent the subsequent spread of e-NWOM or even turn negative sentiments to positive ones, as shown in recent literature on webcare (Lee & Song, 2010; van Noort & Willemsen, 2011).

This paper concerns the power of e-NWOM and analyzes the effect of e-NWOM on purchase decisions. At the same time, it pays attention to the moderating role of the relationship between consumers and firms when e-NWOM exerts influence on consumers. This study makes three substantive contributions by addressing limitations of previous research on e-NWOM. First, most studies on e-NWOM have focused on the effect of *reception* to e-NWOM, not the *expression* of it (Verhagen et al., 2013). Recognizing the dearth of research on the influence of e-WOM messages on their senders, this study examines the effects of e-NWOM on its senders and receivers separately. In addition, we identify possible moderators of e-NWOM effects, both of which are driven from the perception about or the reaction of the given firm that creates the e-NWOM incident. We include these moderators in two separate studies. Second, despite the availability of WOM data, few organizations can link it to individual customers' purchases or vice versa, so it is challenging for them to establish a direct link between e-NWOM behavior and purchase behavior. For example, researchers can easily access e-WOM data on Facebook or Twitter, but have no way of linking these data with purchase transaction data. Retailers and service providers have extensive records on customer purchases, but cannot easily match them to social media data. In Study 1, we use a single-source dataset that combines e-NWOM data from a real company's online community with actual purchase data of the same customers who engaged in e-NWOM activities. This unique observational dataset allows us to estimate the financial impact of e-NWOM empirically on the customer level. Third, there are only a few studies that test the effects of webcare in response to e-NWOM. The question of how e-NWOM posters and viewers might react differently to company's corrective action has not been thoroughly investigated. In Study 2, we conduct an experiment to test the effect of company apology to e-NWOM senders and receivers using a similar negative incident of Study 1 (i.e., a policy change) in a different industry context.

In the following sections, we review the previous research on e-NWOM, focusing on online complaining behavior and suggest a conceptual model that explains the effects of e-NWOM on its senders and receivers. In addition to the differential effects on senders and receivers, we include two moderators of e-NWOM effects. Next, we present our two studies, empirical findings, and their respective conclusions. Finally, we summarize contributions and limitations of our study, followed by suggestions for future research.

2. Literature review

2.1. E-WOM, valence, and online public complaining behavior

E-WOM is defined as "any positive or negative statement made by potential, actual, or former customers about a product or

company, which is made available to a multitude of people and institutions via the Internet" (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004, p. 39). E-WOM is distinguished from traditional WOM in that it is (1) mediated in the form of reading or writing, (2) presented in public forums for other consumers or companies to observe, and (3) electronically stored and can be searched for future use (Andreassen & Streukens, 2009).

Previous research on e-WOM has found that it influences brand awareness (Davis & Khazanchi, 2008), brand attitude (Doh & Hwang, 2009), purchase intention (Bickart & Schindler, 2001; Park & Lee, 2009), product sales (Chevalier & Mayzlin, 2006; Davis & Khazanchi, 2008; Liu, 2006), as well as revenue growth (Reichheld, 2003). Depending on its valence, WOM can affect customer loyalty or firm revenues either negatively or positively (Dellarocas, Awad, & Zhang, 2004; East, Hammond, & Lomax, 2008; Liu, 2006). For instance, positive WOM (PWOM) enhances expected quality and brand attitude, and leads to recommendation for product purchases, whereas NWOM elicits product denigration, rumor, private complaining, and ultimately diminishes purchase intentions and sales (Chevalier & Mayzlin, 2006; Huang & Chen, 2006; Mizerski, 1982). Literature also suggests that the impact of NWOM on decreasing sales is greater than the impact of PWOM on increasing sales (Mittal, Ross, & Baldasare, 1998; Park & Lee, 2009).

Another stream of research that draws special attention to NWOM is consumer complaint behavior (CCB). Supplementing Hirschman's (1970) classic CCB model of exit (e.g., switching brands), voice (e.g., making a complaint to the seller), and loyalty (e.g., continuing to purchase from a dissatisfying seller), recent studies incorporate NWOM as a new type of CCB (Goetzinger, 2007; Singh, 1990). They also distinguish between CCB that occurs in a private setting where customers tell others about unsatisfactory experiences (e.g., traditional NWOM), and a public setting where customers express NWOM to broader audiences (e.g., e-NWOM). In particular, studies have shown that online public complaining behavior has an aggravating effect on firm performance (Grégoire, Tripp, & Legoux, 2009; Lee & Song, 2010).

Scholars have emphasized the need to categorize those who exhibit complaint behaviors (Singh, 1990) or their response styles (Schoefer & Diamantopoulos, 2009) to better handle complaint situations. In an online context, Lee and Song (2010) classify consumers who display online complaint behaviors into complainers, repliers, and observers. Despite a vast number of studies on observers, little research has examined how making online complaints affects the attitudes or behaviors of complainers (i.e., customers who create e-NWOM messages). Verhagen et al. (2013) point out the dearth of "sender-oriented" studies in e-WOM research. This study extends this line of research by separating the effects of e-NWOM on senders (i.e., e-NWOM posters) and receivers (i.e., e-NWOM viewers). We also suggest two potential moderators of e-NWOM effects that are relevant to relationship management prior to or during the e-NWOM incident. Fig. 1 provides our conceptual framework that explains the effect of e-NWOM posting and viewing behavior as well as moderators identified in previous research, which we elaborate in the following sections.

2.2. Differentiating the effect of posting and viewing e-NWOM: Posting e-NWOM

According to social sharing of emotion theory (Rimé, 2009), humans have a natural tendency to share emotional experiences with others. The social environment in which humans live motivates them to express emotions to people around them in order to seek help and support, vent, bond, or get validation. The same tendency can be observed in the context of negative consumption experiences. Research on consumption emotions has shown that

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