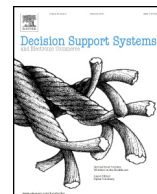




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Why Amazon uses both the New York Times Best Seller List and customer reviews: An empirical study of multiplier effects on product sales from multiple earned media

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ABSTRACT

In today's dynamic media landscape, products are reviewed by consumers in social media and reported by journalists in traditional media. This paper will focus on the relationship among the two types of "earned" media and product sales. Previous studies have focused on either traditional or social earned media, but rarely both. We will aim to bridge that gap using the following points of analysis: the New York Times Best Seller List as traditional media; Amazon user reviews as social media; and book purchases through Amazon as product sales. We find that: (1) both traditional and social earned media influence sales; (2) sales have a reciprocal effect on social earned media; and (3) traditional and social earned media influence each other. Communication through multiple media is known to produce the "synergy effect" in which one media activity enhances the effect of another. Our results suggest a new benefit unique to the use of multiple earned media. We call this the "multiplier effect," which occurs when one earned media activity increases the level of another by becoming a "sounding board" that amplifies positive messages, as well as a bridge that allows messages to propagate freely in an interactive media system. Therefore, multiple earned media produce combined sales effects greater than those resulting from the sum of their parts. This analysis supports Amazon's decision to use multiple earned media to benefit from an ecosystem where product sales and earned media both influence and are influenced by one another. The paper will address the implications for marketing communication and media industry.

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1. Introduction

Amazon began to use the New York Times Best Seller List on its website in 1999. This move was made without permission from the Times, resulting in a lawsuit in a federal court. (The suit was later settled, which will be discussed in Section 4.) The case was important for the future of Internet and electronic commerce according to the Chairman of the House Telecommunications, Trade, and Consumer Protection Subcommittee, Representative W. J. "Billy" Tauzin [1]. By 1999, Amazon had also invented customer review, the most used online shopping tool. The provision of both the Best Seller List and Amazon customer review harbingered the sea change in the media and communication industry in the previous decade.

Communication involves sender, audience, channel, activity, and message. We adopt the following typology to classify marketing-related media activities based on *who creates the message* and *who owns the media channel* [2,3]. *Paid media* refers to advertising generated by a company or its agency and disseminated through a channel owned by others; *owned media* refers to activities conducted by a company through its own channel, such as a company blog; and *earned media*

describes communications about a company's product generated by other entities and expressed through either own or outside channels. What distinguishes earned media from paid or owned media is its autonomy, or ability to operate independent of a company's command.

This article seeks to examine Amazon's motivation for integrating two earned media. The individual influences of the Best Seller List (traditional earned media) and customer review (social earned media) have been well established. The Encyclopedia Britannica has called the New York Times the "newspaper of record" in the United States [4], meaning it exerts the greatest influence among American news publications over the outcome of the subject it chooses to report. A classic study by McCombs and Shaw [5] described such influence as an "agenda-setting" function of the mass media. Meanwhile, Amazon owns the patent on customer review and uses it in every product category it carries [6]. Customer review is becoming an integral part of every consumer's purchasing experience while Amazon is developing a reputation as "The Everything Store" [7,8]. By focusing on the *collective* effects of Amazon's multiple earned media, we study how autonomous earned media act collectively to improve product sales via the following questions:

- (1) What are the effects of traditional and social earned media on product sales when both are present?

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- (2) What is the effect of product sales on earned media?
- (3) What is the relationship between two earned media?

Our findings show that social earned media, traditional earned media, and product sales are interdependent. First, Amazon customer review and the Best Seller List increase product sales. Second, sales increase the number of Amazon customer reviews. Third, Amazon customer reviews prolong a book's stay on the Best Seller List. Conversely, appearance on the Best Seller List increases the number of Amazon customer reviews. In addition to the direct positive effects on product sales, each source of earned media acts as a sounding board to amplify the positive message it receives. Such positive messages can originate from other earned media or from the resonating media itself. The amplification feature requires no effort from the company selling the product because earned media operate independently. Only two interacting earned media are needed to repeatedly multiply positive messages. Such multiplier effects are similar to the synergy effects – the main argument for using integrated marketing communication – in that both make combined media impact sales more than the sum of their parts do. However, the two effects have distinct mechanisms. Synergy effects occur when one media activity helps consumers to better digest another media activity, thereby enhancing its effect. Multiplier effects help to increase the level of one earned media activity by resonating with another.

Amazon's decision to use both the Best Seller List and the customer review feature can be argued from two traditional angles: the strong influence of these two particular media individually and the presence of synergy effects (both of which are demonstrated in our study). Yet the contribution of this research is to provide a fresh argument: Rather than any number of paid or owned media or a single earned media, Amazon used *two earned* media (one traditional plus one social) to produce the multiplier effects. Unlike synergy effects that apply to all types of media (paid, owned, and earned), multiplier effects occur *only* in earned media due to their autonomy. While we focus on the New York Times Best Seller List and Amazon's customer review feature, the practical implication of our finding is that companies can benefit from the use of any two earned media. We demonstrate two-way relationships between earned media and their environment, with each influencing another; such interactions mirror those among organisms of an ecological system that allow them to function as a unit. Thus, we borrow the ecological term "ecosystem" to describe the system of multiple earned media. The decision question addressed in this paper is: Can companies benefit from multiple earned media coverage, and how can they create an ecosystem where multiplier effects work to their advantage? The answer reflects the evolving relationships among company, consumer, and media outlet. In the previous world of paid and owned media alone, consumers and media outlets were passively acted-upon: companies dictated the messages in the media outlets to persuade consumers. In the earned media era, consumers and media outlets are active participants: they influence one another and collectively shape the messages in the ecosystem.

There has been an intense debate in the communications industry about the future of traditional media at this point in time [9]. Our contribution to the debate is twofold. First, this study reveals a competitive development that substantiates the fear of traditional media practitioners regarding social media. Specifically, we shed light on how social media relates to the core value of traditional media. While the agenda-setting function of traditional media (in this example, influencing which books customers buy) continues today, social media is effectively competing for this role. Second and more importantly, this study adds a missing piece to the narrative on the state of the media industry: the cooperative element that exists between traditional and social media. The agenda-setting function of traditional media gets multiplied by social media, and vice versa. This study therefore paints a picture of an ecosystem where traditional and social media share the agenda-setting function. By showing how traditional media benefit from being

an integral component of the system, this study supports the view articulated by the Deputy Editor-in-chief of the Guardian in the UK, Katharine Viner, that the future of traditional media/journalism is "to embrace the ecosystem of the web and combine established journalistic techniques with new ways of finding, telling and communicating stories" [9].

This paper is organized as follows. In Sections 2 and 3, we present a recent literature review and hypothesis development. We then describe the data and model in Section 4, and present the empirical results in Section 5. We conclude with Section 6, which discusses the implications of our findings for the marketing and media industries and addresses limitations and suggestions for future research.

2. Literature review

This paper follows the recent stream of literature that examines company's decision to use multiple media (Table 1). The central question throughout the integrated marketing communication (IMC) literature is why a company would choose to use multiple media (including paid, owned and earned) activities simultaneously. Four reasons have emerged. First, the benefits of different media activities vary and therefore one may not serve as a substitute for another. For example, advertising works most effectively at an early stage of product introduction and wears out later as consumers pay more attention to word of mouth (WOM) [10]. Once a product has become familiar to the public, the primary role of advertising is a reminding one, while social engagement functions by both reminding and enhancing enjoyment. Advertising therefore cannot replace social engagement, particularly for entertainment products [11]. Second, since advertising and Electronic Word of Mouth (eWOM) both disseminate product information, companies can reduce expenditures by substituting paid and owned media pursuits with free earned media activities when available [12]. Third, the dominant benefit of multiple media is the "synergy effect" [13,14] which occurs when one media activity helps consumers to more effectively digest the effects of another, thereby offering greater advantages to the company than it would derive from one medium alone. For example, consumers relive images of a TV advertisement when hearing a related radio commercial [15], allowing them to better understand the TV message. Similar interaction has been found between sentiments expressed in tweets and news reports in the context of stock investment [14]. Fourth, recent studies suggest that the level of earned media activities can be influenced by advertising. Before a product is introduced to the market, TV advertising can encourage blogging activities because bloggers are most likely to seek product information from companies before product launch [16].

Table 1
Comparison of multiple media activities.

	Channel 1	Channel 2
Bruce et al. [10]	Social earned media (Yahoo Movie User Review)	Traditional and social paid media (advertising on TV, radio, and online)
Feng and Papatla [12]	Social earned media (user review)	Traditional paid media (advertising)
Lovett and Staelin [11]	Social earned media (social engagement)	Traditional paid media (advertising)
Onishi and Manchanda [16]	Social earned media (blog)	Traditional paid media (advertising)
Stephen and Galak [3]	Social earned media (blog, forum)	Traditional earned media (mentions in newspaper, magazine, TV, radio)
Trusov et al. [25]	Social earned media (referral)	Traditional earned and owned media (News, company event and press)
Yu et al. [14]	Social earned media (blog, forum, tweet)	Traditional earned media (news report)
This article	Social earned media (Amazon user review)	Traditional earned media (New York Times bestseller)

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