



The effects of online reviews on service expectations: Do cultural value orientations matter? [☆]



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ABSTRACT

This study aims to explore the moderating influence of cultural value orientations of consumers on their use of positive and negative electronic word of mouth eWOM (PWOM and NWOM) to develop service expectations. It uses two experimental studies. Study 1 involves analysis of the manipulated effects of consumer-generated eWOM valence with 266 consumers from three different countries. Study 2 comprises of replication of study 1 but with added marketer generated information (imagery of the firm) with 84 consumers. The findings show that cultural value dimensions of power distance and long-term orientation influence how consumers react to PWOM and NWOM. For low power distance and short-term oriented consumers, the degree of impact on expectations is much higher when they encounter NWOM versus PWOM as compared to high power distance and long-term oriented consumers. It suggests a new segmentation strategy for practitioners based on the relationship between the interpretation of online reviews and cultural orientation of individual consumers.

1. Introduction

Consider for a moment that you would like to visit a new destination for your next holiday and you need to book a hotel for your accommodation. As you have very little idea about this place and do not know much about the hotels there, you decide to visit a well-known tourism related website to gather information about the place and about its hotels. Whilst narrowing down your search for a hotel to stay in, you come across the following two excerpts from tourists about their experiences of staying in that particular hotel: -

Tourist A: “This was the 3rd time I stayed in this hotel and it was as great as the other times. The hotel is wonderful, indoor pool area is the best and we had a blast.”

Tourist B: “When I arrived at the hotel, I found it terrible, disgusting. The room smelled so bad that I felt ill. I will never come back again.”

As the messages contradict, you are in a dilemma and are not sure what to expect from this hotel if you decide to stay there.

Electronic word of mouth (eWOM) consisting of sources such as online consumer reviews, blogs, and user-generated content that represents traditional word of mouth (WOM) in the online context has become a major source that consumers use for pre-purchase information search and decision making (Fong & Burton, 2008; Hwang, Jani, &

Jeong, 2013; Johnson & Grier, 2013; Kim & Gupta, 2012; Martin & Lueg, 2013; Wan, 2013). Nielsen Research finds that 68% of consumers believe that consumer opinion posted online is one of the most accessible, trustworthy and used sources of information (Trust in Advertising Report, 2013). The role of such online reviews as a tool to attract new customers is particularly important for service sector firms such as hotels and travel destinations focusing on selling experiences rather than product firms for several reasons. Compared to products, service purchase decisions are more uncertain and risky as services are characterized by intangibility, variability, and are high in experience and credence attributes. Such purchase decisions become far riskier in the context of relatively unknown or new-to-market service firms, where information available is mainly marketer generated (such as company website, advertisements etc.), and often perceived as biased. Berger, Sorensen, and Rasmussen (2010) observe that the influence of online reviews in decision making is higher for an unfamiliar brand rather than established entities due to an absence of trust based on prior experience. Hence, online reviews are a significant information source that potential consumers use before making a purchase decision from a relatively unknown service entity.

Extant research on eWOMs is largely categorized into two areas. The first stream of research explains under what conditions consumers are likely to generate and share online reviews (positive reviews PWOM or

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negative reviews NWOM) with others (such as Berger, 2014; De Angelis, Bonezzi, Peluso, Rucker, & Costabile, 2012; Dubois, Bonezzi, & De Angelis, 2016). With a focus on the role of consumers as senders or creators of online reviews, this body of research addresses “why do people generate or share online reviews?”. For instance, Berger (2014) suggests that consumers engage in WOM (eWOM) activities to manage emotions, develop impressions or to create social bonding. The second stream of research focuses on the impact of eWOMs (PWOM or NWOM) on various aspects of consumer behavior such as product evaluations (Kim & Gupta, 2012), trustworthiness (Sparks & Browning, 2011), information needs (Hwang et al., 2013), or how sales may be influenced (Basuroy, Chatterjee, & Ravid, 2003; Ho-Dac, Carson, & Moore, 2013). With an emphasis on the role of consumers as receivers of online reviews, this body of literature investigates “what happens when people take account of such online reviews?”. However, research is rather limited on how online reviews influences expectations in the pre-purchase decision-making stage from an unknown service firm. Purchasing services from unknown firms is inherently risky due to aforementioned characteristics such as intangibility, experience or credence attributes coupled with lack of previous experience or insights about the firm. In such circumstance, online reviews play a significant role in influencing consumer choice and their pre-purchase expectations. This study attempts to address this important research gap by clarifying how such reviews impact on pre-purchase expectations for an unfamiliar service offer. It is important to understand the role of such reviews on pre-purchase expectations as this will in turn impact on consumers' post-purchase service evaluations.

Extant research has also addressed individual or context-specific moderating factors that explain why individual consumers react differently to online reviews. Studies show that consumers use such reviews differently based on the individual characteristics of the receiver (such as their information processing goal) or the message (such as message framing) (Dubois, Rucker, & Tormala, 2011; He & Bond, 2015; Relling, Schnittka, Sattler, & Johnen, 2016; Sparks & Browning, 2011). For instance, Relling et al. (2016) observe that PWOM evokes more positive reaction among consumers who use eWOM mainly for social bonding as compared to consumers who use it to perform specific tasks. However, research on understanding the role of culture as a moderator is scarce. Particularly, extant research has paid little attention to how the culture of individual consumers might influence their perception of positivity of PWOM or negativity of NWOM in case of unfamiliar service firms. Cultural orientations are likely to influence how consumers use online reviews to search and process information, therefore it is crucial to study their potential moderating effects on expectation formation. Although, the role of cultural orientations of individuals in influencing decision making has been noted as important in many studies (e.g. Donthu & Yoo, 1998; Furrer, Liu, & Sudharshan, 2000; Herrero, Martin, & Hernandez, 2015; Laroche, Ueltschy, Abe, Cleveland, & Yannopoulos, 2004; Liu, Furrer, & Sudhrashan, 2001; Schumann et al., 2010), their role as moderators in eWOM processing is not well explored. This is a significant research gap that the current study attempts to address.

It is important to explore the moderating role of culture on expectation formation due to the effects of eWOM valence for several reasons. Currently, it is unclear how consumers exhibiting high versus low power distance orientations, which reflects how they handle inequality in society (Hofstede, Hofstede, & Minkov, 2010), develop expectations when they encounter NWOM or PWOM about a service provider. As individuals on different parts of the power distance spectrum have different views on disparity and inequality in society, this will likely have a significant influence on their processing of negative or positive messages of online reviews. Similarly, consumers differ based on their cultural orientation of uncertainty avoidance, which explains their tolerance towards unpredictability (Hofstede et al., 2010) and leads to different levels of risk averseness. This will likely lead to difference in approach behavior towards positive or avoidance behavior towards negative messages when encountering online reviews.

Therefore, this study attempts to explore such issues with an integrative investigation of the role of culture on how consumers develop pre-purchase expectations. From a practice perspective, firms often manage their online review management strategy in a rather unimodal way (i.e. PWOM always leads to positive or NWOM leads to negative expectations) with simplistic assumptions that the goals and information processing of consumers are homogeneous. Consumers around the world possessing very different cultural orientations access online reviews for purchase decision-making purposes. Hence, firms can only design an effective customer acquisition/retention strategy based on online reviews when accounting for such individual consumer differences.

Against this background, this study seeks to enhance current understanding by investigating how the cultural orientation of individual consumers' moderates how they process eWOM valence, both positive and negative. This research employs two experimental studies. Study 1 tests the moderating effect with 266 consumers from the student population in three different countries by exposing them to manipulated PWOM or NWOM scenarios in the context of a fictitious, unfamiliar service entity (hotel). Study 2 is a replication of the first study with 84 consumers from an online shopper panel with an additional tangible imagery (photo of the hotel representing its offering). A photo is used as past research suggests that new-to-market or unfamiliar firms can reduce the level of distrust among consumers by exposing them to the imagery of the firm, hence reducing the perceived risk of purchasing from an unknown entity (Darke, Brady, Benedicktus, & Wilson, 2016; Relling et al., 2016). These consumers are exposed to manipulated PWOM or NWOM about the hotel with added marketer generated information (photo), as they would see when booking online through a travel website. Study 2 also provides a robustness check of the findings from the previous study.

2. Theoretical background and research propositions

2.1. WOM and eWOM, service quality expectations and cultural value orientation

Interpersonal communication and specifically word of mouth (WOM) is an extensively researched area in the field of marketing and consumer behavior (see Berger, 2014; Matos & Rossi, 2008 for detailed literature review). Westbrook (1987) defines WOM as “informal communications directed at other consumers about the ownership, usage, or characteristics of particular goods and services and/or their sellers.” Another main focus of the current study, service expectations is defined as “the level of service customers believe they are likely to get” (Zeithaml, Bitner, & Gremler, 2006). Finally, Hofstede et al. (2010) define culture as “the collective programming of the mind that distinguishes the members of one group or category of people from others.” Literature on these three topics pertinent to the current study is now reviewed.

Recent studies have largely focused on the role of eWOM, where consumers' access information from opinions posted online rather than the traditional WOM that mostly involves face-to-face interpersonal communication. The ubiquitous use of the internet in everyday life means that eWOM not only manifolds the scope of personal networks available to the individual consumer as compared to traditional WOM but that it is also accepted as a credible and impartial source of information (Martin & Lueg, 2013). Therefore, consumers tend to use eWOM significantly, particularly when the decision-making is either risky, difficult or there is lack of available information (Berger, 2014).

Past studies categorize eWOM research in two ways—the propensity of consumers to generate and transmit eWOM focusing on the role of consumers as senders (such as Berger, 2014; De Angelis et al., 2012; Dubois et al., 2016; Lam, Lee, & Mizerski, 2009) and the effects of received eWOM on their behavior, highlighting the role of consumers as receivers (such as He & Bond, 2015; Lam et al., 2009; Relling et al., 2016; Schumann et al., 2010). The first stream of research often

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