



Marketing activity, blogging and sales

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ABSTRACT

The recent growth of consumer-generated media (CGM), also known as “new” media, has changed the interaction between consumers and firms from being unidirectional to being bidirectional. However, CGM are almost always accompanied by traditional media (such as TV advertising). This research addresses the critical question of whether new and traditional media reinforce or damage one another’s effectiveness. This question is important because traditional media, in which a manufacturer creates and delivers content to consumers, consume a firm’s resources. In contrast to these paid media, new media (in which consumers create content and this content is exchanged between other consumers and potentially between manufacturers) are primarily available for free. This question becomes even more salient when new product launches are involved, as firms typically allocate approximately half of their marketing budgets to support new products.

One of the most prevalent forms of new media is blogging. Therefore, we assemble a unique data set from Japan that contains market outcomes (sales) for new products, new media (blogs) and traditional media (TV advertising) in the movie category. We specify a simultaneous equation log-linear system for market outcomes and the volume of blogs. Our results suggest that new and traditional media act synergistically, that pre-launch TV advertising spurs blogging activity but becomes less effective during the post-launch period and that market outcomes have an effect on blogging quantity. We find detailed support for some of these results via a unique and novel text-mining analysis and replicate our findings for a second product category, cellular phone service. We also discuss the managerial implications of our findings.

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1. Introduction

Consumer Generated Media (CGM), such as blogs (a contraction of the term “Web logs”), have witnessed explosive growth in recent years. For example, the number of blogs worldwide was estimated to be 184million, with a readership of 346million (Technorati/Universal McCann, March 2008). In contrast, there were virtually no blogs in March 2003. Other types of CGM have also experienced similar growth patterns, such as Facebook, which was launched in February 2004 and currently has approximately 50million members worldwide (in October 2007). These statistics clearly show that there is considerable CGM activity (e.g., multi-media posting, blogging, visits, traffic) by consumers. Given that CGM (almost always) co-exist with traditional media, an important research question is whether CGM content helps or hurts traditional media content. This distinction is also important from a managerial perspective, as traditional media—in which a manufacturer creates and delivers content to consumers—consume the marketing resources of firms. In contrast

with these paid media, “new” media (in which consumers create content and this content is exchanged between other consumers and potentially between manufacturers) are primarily available for free. This question becomes even more salient when new product launches are involved because firms typically allocate approximately half of their marketing budgets to support new products (Urban & Hauser, 1993). A clearer understanding of this relationship would leverage our knowledge of the role of new media and lead to clearer managerial implications for resource allocation, especially for new products. In this paper, we take the first steps in answering the question of whether new and traditional media assist or hinder one another in achieving market outcomes, such as sales.

The new medium on which we focus is blogs. Blogging has perhaps become the largest and most established form of CGM during the last few years. The total worldwide viewership of blogs was estimated to be approximately 346million (Technorati/ Universal McCann, 2008). Wikipedia defines a blog as “a Web site, usually maintained by an individual with regular entries of commentary, descriptions of events, or other material such as graphics or video. Entries are commonly displayed in reverse-chronological order.” Blogging is a worldwide phenomenon, and the two largest blogging markets are the United States and Japan. The number of blogs was approximately 23million in the United States (approximately 12% of all

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US Internet users) and approximately 8 million in Japan (approximately 5% of all Japanese Internet users) in 2007 (Technorati/Universal McCann, 2008). However, if one examines the total number of posts by language, Japanese-language posts accounted for 37% of all posts worldwide, followed closely by English-language posts at 36% (Technorati, 2007). In addition, the readership of blogs in these two markets is high: approximately half of all Internet users in the US and approximately one-fifth of all Japanese Internet users have read a blog during the past year. There are also indications that blogs are currently considered to be similar to mainstream media sites; the number of blog sites in the top 100 most popular sites (blogs and mainstream media) worldwide was 22 in 2007, and blogs were being viewed by consumers as “sites for news, information, gossip, etc.” (Technorati, 2007). In 2008, four of the top ten entertainment sites were blogs (Technorati/Universal McCann, 2008). Finally, in 2007 (the year in which our data were collected), blogging was likely the most pervasive CGM activity on the web.

Although existing research has investigated the relationship between new media and market outcomes, such studies have generally not accounted for the presence of traditional media.¹ Therefore, the question of whether traditional new media and traditional media are synergistic or antagonistic has not been answered. The evolving nature of this relationship (among market outcomes, new media and traditional media) for a new product before and after its launch has also received scant attention in the literature (see Table 1). Specifically, for blogs (the form of CGM that we consider), there is virtually no empirical research that documents the value of blog volume and quality (including information content) in predicting sales, especially in a setting in which traditional media are also present. This lack of research is not surprising because blogs, which are personal, non-directed communication tools, are unique in the world of CGM.² For example, Kumar, Novak, Raghavan, and Tomkins (2005) note that blogs are unique for sociological reasons: they comprise a “highly dynamic, temporal community structure” that “focuses heavily on local community interactions,” and for technical reasons, blogs “offer us a ready-made view of evolution (of content) in continuous time.” A survey (Technorati, 2009) also revealed that 75% of the respondents write blogs for enjoyment and to record their personal musings rather than to evaluate products. Consequently, it is unclear whether blogging activity is related to traditional media and market outcomes.

The findings from the (limited) current research on the effectiveness of new media provide some additional motivation for this research. The first set of findings pertains to the direct relationship between blogs and (implied) market outcomes. The general finding suggests a positive correlation between blogging activity and sales ranks on e-commerce sites, such as Amazon.com.³ For example, Dhar and Chang (2009) find a positive correlation between music

¹ Most of the published literature does not consider the relationship between new and traditional media and has typically limited its focus on establishing a link between online chatter (newsgroup postings, reviews and ratings) and its effect on market outcomes. These papers have provided some evidence of a positive correlation between the volume of online user ratings and sales (Chintagunta et al., 2010; Dellarocas et al., 2007; Duan et al., 2008; Karniouchina, 2011; Liu, 2006). Given the goal-driven nature of product ratings (and reviews), these findings may not be unexpected. Other research has looked at the synergies between different forms of traditional media e.g., online and offline (Naik & Peters, 2009).

² There is also emerging work on other (non-market outcome) aspects of blogs, such as linking decisions between and across blog posts (e.g., Mayzlin & Yoganarasimhan, in press).

³ Although sales ranks are useful indicators of market outcomes, they are limited in their applicability because (a) there is a potential for the rank-sales relationship to be noisy (especially if Amazon.com is not a representative seller of the goods in question), (b) ranking data are idiosyncratic and usually not available for a wide variety of products (e.g., movie box-office sales, packaged goods, services) and (c) it is unclear whether managers can use the imputed sales data to obtain actual effect sizes to set policy.

Table 1
Overview of current research on CGM.

Paper	Product category	Online CGM	New and old media interaction	Pre- and post-launch comparison	CGM measures	Outcome measures	Data type
This paper	Movies, cell phone subscriptions	Blog	Yes (TV GRPs)	Yes	Volume, valence, (text mining)	Sales volume (audience size)	Aggregate (daily/monthly panel)
Dhar and Chang (2009)	Music	Online review, Blog, SNS intensity	No	No	Volume, rating, intensity	Sales rank	Aggregate (weekly panel)
Karniouchina (2011)	Movies	Yahoo! Movie site	No	Yes	Count of reviews	Box office revenue	Aggregate (weekly panel)
Gruhl et al. (2005)	Books	Blog	No	No	Volume	Sales rank	Aggregate (daily panel)
Chintagunta, Gopinath, and Venkataraman (2010)	Movies	Online rating	No	No	Valence	Opening-day revenue	Aggregate (cross-sectional)
Tirunilli and Tellis (2012)	Multiple	Product reviews	No	No	Volume, valence	Stock prices	Aggregate (daily panel)
Trusov, Bodapati, and Bucklin (2009)	SNS signups	Referral	No (but proxy measure for PR - media appearances)	No	Volume	No. of signup customers	Aggregate (weekly panel)
Chakravarty, Liu, and Mazumdar (2011)	Movies	Online review	No	Yes	Volume	7-point scale evaluation	Lab experiment
Duan et al. (2008)	Movies	Online review	No	No	Volume, valence	Box-office revenue	Aggregate (daily panel)
Dellarocas et al. (2007)	Movies	Online rating	No	No	Volume, valence, variance	Box-office revenue	Aggregate (weekly panel)
Moul (2007)	Movies	Latent quality learning	No	No	Latent quality	Box-office revenue	Aggregate (panel weekly)
Liu (2006)	Movies	Online review	No	Yes	Volume, valence	Box-office revenue	Aggregate (weekly panel)
Chevalier and Mayzlin (2006)	Books	Online rating	No	No	Volume, Valence	Sales rank	Aggregate (weekly panel)
Godes and Mayzlin (2004)	TV shows	Online review	No	No	Volume, valence, variance	Household rating	Aggregate panel (episode)

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