Research Article

Word-of-mouth and the forecasting of consumption enjoyment

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Abstract

The digital era has permitted rapid transfer of peer knowledge regarding products and services. In the present research, we explore the value of specific types of word-of-mouth information (numeric ratings and text commentary) for improving forecasts of consumption enjoyment. We present an anchoring-and-adjustment model in which the relative forecasting error associated with ratings and commentary depends on the extent to which consumer and reviewer have similar product-level preferences. To test our model, we present four experiments using a range of hedonic stimuli. Implications for the provision of consumer WOM are discussed.
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"Enjoying the joys of others and suffering with them — these are the best guides for man."

[Albert Einstein]

Introduction

For many consumer choices, successful decision making depends on the ability to accurately predict future consumption experience. Unfortunately, an abundance of evidence has revealed that individuals are generally poor at estimating their future affective states (e.g., Kahneman & Snell, 1992; Wilson & Gilbert, 2003). In principle, modern communication environments offer a means of facilitating the consumer forecasting process, by increasing access to word-of-mouth (WOM) through which product-relevant information is transmitted between consumers (Brown & Reingen, 1987). However, despite its prevalence and assumed benefits, there is scant empirical evidence that WOM actually enables consumers to make better forecasts. Moreover, there is little understanding of conditions under which

different forms of WOM are more useful for forecasting purposes. The present research addresses these issues.

Among the myriad varieties of product-relevant WOM, we focus on that subset in which consumers present their own, usage-based experience and opinions directly. From the perspective of a prospective consumer, such WOM represents a form of 'surrogate' information, provided by a peer consumer who has experienced the product first-hand (Gilbert, Killingsworth, Eyre, & Wilson, 2009; Solomon, 1986). However, the information itself may vary widely, from a simple summary evaluation ("I hated the movie!") to underlying descriptive or explanatory commentary ("The plot was OK, but the acting was atrocious!…"), to some combination of the two. Our research question concerns the conditions under which each type of information (or their combination) will be beneficial to prospective consumers, by helping them to forecast their own product enjoyment.

To address this question, we focus on consumer reviews of the type found at online retailers or third-party platforms, which can be decomposed into two constituent elements: summary evaluations (i.e., ratings) and review commentary (i.e., text reviews). A number of scholarly investigations have documented the influence of product ratings on sales (Chevalier & Mayzlin, 2006; Liu, 2006; Moe & Trusov, 2011), and a separate literature has investigated the economic impact of commentary (Archak,

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Ghose, & Ipeirotis, 2011; Park, Lee, & Han, 2007), but there has been almost no research directly comparing these types of information on consumer outcomes. In contrast, we explicitly adopt a consumer perspective. Extending recent work on the subjective 'helpfulness' of consumer review content (Mudambi & Schuff, 2010; Sen & Lerman, 2007), we focus directly on the utilization of WOM to predict future enjoyment and satisfaction.

Although numeric ratings and commentary both provide useful information about the experience of peer consumers, their relative value is unclear. Intuitively, marketers and consumers might expect a rating to be less useful than a commentary (Archak et al., 2011), as the latter provides both objective and subjective information, allowing prospective consumers to simulate their product experience in advance (Adaval & Wyer, 1998). However, research in affective forecasting reveals a variety of biases and limitations which cast doubt on this assumption (Wilson & Gilbert, 2003; Wood & Bettman, 2007). Moreover, although it may be assumed that forecasts will be most accurate when a reviewer's rating and commentary are presented together (as is the case on most real-world platforms), consumer researchers have long challenged the notion that "more information is better" (Jacoby, Speller, & Kohn, 1974; Keller & Staelin, 1987). It therefore remains an open question whether ratings, commentary, or their combination will produce the most accurate forecasts.

In the sections that follow, we address a previously unexplored area within consumer affective forecasting, by examining how consumers utilize word-of-mouth to predict their product enjoyment. To do so, we present an anchoring-and-adjustment framework in which a critical factor is the extent to which consumer and reviewer share similar product-level preferences. This framework allows us to examine the relative value of ratings, commentary, or their combination for making affective forecasts. To support our framework, we present four experimental studies which utilize different product categories and vary preference similarity both directly and indirectly. We show that the forecasting value of ratings declines substantially when consumers encounter reviewers having dissimilar preferences, whereas the value of commentary is largely unaffected by preference similarity. Moreover, a combination of rating and commentary together is sometimes less useful than either alone. We conclude by offering implications for the use of WOM to improve real-world consumer decision outcomes.

Conceptual background

Word-of-mouth as forecasting aid

The ability of consumers to accurately forecast their future consumption experience has notable psychological and economic consequences. Overestimation of future enjoyment may result in post-purchase regret and dissatisfaction, while underestimation may result in forgone opportunities for both consumer and marketer. Therefore, both parties stand to gain from the alignment of forecast with actual experience, and the topic has received substantial scholarly attention (Hoch, 1988; Loewenstein & Adler, 1995; Patrick, MacInnis, & Park, 2007; Wang, Novemsky,

& Dhar, 2009). A robust finding of this work is that individuals are poor at making affective forecasts, particularly for hedonic events (Billeter, Kalra, & Loewenstein, 2011; Kahneman & Snell, 1992; Read & Loewenstein, 1995; Simonson, 1990; Wilson, Wheatley, Meyers, Gilbert, & Axsom, 2000; Wood & Bettman, 2007). Forecasting errors are most commonly attributed to faulty simulation of future experience (Gilbert & Wilson, 2007; Zhao, Hoeffler, & Dahl, 2009), and prescriptive advice often aims at improving the simulation process.

In keeping with broader research on the use of peer knowledge for personal prediction (Gershoff, Mukherjee, & Mukhopadhyay, 2003; Gilbert et al., 2009), our work highlights the role of WOM as a means of improving consumers' ability to forecast their enjoyment of goods and services in the marketplace. We focus in particular on online WOM, which has gained increasing attention in consumer research. A great deal of interest has been directed towards the various drivers of online WOM (Berger & Schwartz, 2011; De Angelis et al., 2012), its diverse effects on decision processing (Chan & Cui, 2011; Weiss, Lurie, & MacInnis, 2008; Zhao & Xie, 2011) and consequences for purchase behavior (Chevalier & Mayzlin, 2006; Zhu & Zhang, 2010). Surprisingly, although recent work has addressed the subjective value of WOM in terms of perceived 'helpfulness' (Mudambi & Schuff, 2010; Schindler & Bickart, 2012; Sen & Lerman, 2007), almost no attention has been paid to its more direct value in improving consumer decision outcomes.

Modern consumer WOM takes place over an evolving variety of channels that vary in scale, scope, and efficiency (blogs, social networks, mobile platforms, etc.), and the content of WOM may be categorized in numerous ways (informative vs. persuasive, first-hand vs. second-hand, positive vs. negative, etc.). For present purposes, we restrict our focus to instances in which WOM is utilized by consumers to share their own usage experience and opinions directly with their audience, e.g., consumer reviews of the type commonly available at online retailers and third-party review forums; however, the logic developed below can be extended to other channels (and we return to this issue later). Reviews are especially suited to our inquiry because they contain two distinct components, each of which has been widely studied (Chevalier & Mayzlin, 2006; Dellarocas, Zhang, & Awad, 2007; cf. Park et al., 2007). First, review platforms typically request that reviewers provide an overall product evaluation in the form of a numeric rating, often expressed symbolically ('stars,' etc.). Although consumers may disagree on the perceptual meaning of specific ratings, they do generally know the range of possible values and recognize that larger values connote more positive evaluations. Under ideal conditions, therefore, an overall rating conveys the reviewer's opinion accurately, with minimal effort required from the reader. Second, platforms often allow reviewers to provide text commentary that describes their experience with the product and explains their subsequent evaluation. In contrast to an overall rating, a commentary provides a richer context, often including vivid and concrete content that allows readers to mentally simulate their own potential product experience (Adaval & Wyer, 1998; Dickson, 1982). Although the helpfulness of a commentary varies by depth and readability (Archak et al., 2011; Mudambi & Schuff, 2010), it typically contains both objective and