WORD OF MOUTH AS A NEW ELEMENT OF THE MARKETING COMMUNICATION MIX: ONLINE CONSUMER REVIEW

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ABSTRACT

Customer online product reviews are an emerging market phenomena that is playing an increasingly crucial part in customers' buying decisions as a novel type of word-of-mouth knowledge. This authors argue that online consumer reviews, a sort of product details created by users depending on individual usage experience, can serve as a new variant in the marketing communications mix, acting as free "sales assistants" to assist consumers in identifying products that best suit their unique usage conditions. This study proposes a normative methodology to solve a number of critical strategic concerns about customer evaluations. First, we explain when and how a seller's marketing communication plan should be adjusted in response to customer feedback. Our findings show that if review information is sufficiently useful, the two types of product information, namely seller-created positive product data and buyer-created literature review, will communicate. When the product price is minimal and/or there are enough expert (more intelligent) users, for example, the two types of information are complementary, and the seller's best reply is to boost the number of product attribute message provided via marketing communications after the reviews are accessible. When the product cost is high and there are a large number of rookie (less sophisticated) product users, the two types of information are substitutes, and the seller's best reaction is to minimize the quantity of product attribute information it contains, even if it is free.

KEYWORDS: *Online Consumer Review, Word-Of-Mouth, Product Review Information, Marketing Communications, Social Interactions*

1. INTRODUCTION

Consumers can now share their product evaluations online thanks to the Internet and information technology. In 1995, Amazon.com began allowing customers to provide product reviews on the company's website. Amazon.com currently boasts around 10 million customer reviews across all product categories, and these reviews are one of the most popular and successful elements of Amazon.com. BevMo.com, BN.com, cduniverse.com, circuitcity.com, GameStop.com, computer4sure.com, c-source.com, half.com, goodguys.com, wine.com, and others have all taken a similar tactic in recent years. These online vendors enable consumers of their products to provide personal product reviews on their websites or provide consumer review information from third-party sources such as Epinions.com to their customers. Many product categories, such as books, electronics, games, films, music, beverages, and wine, have an abundance of online

consumer reviews. Consumer reviews, according to recent studies, have become increasingly crucial for consumer buying decisions and product sales.

Online book reviews have a big impact on book sales, according to data from Amazon.com and BN.com. Consumer reviews on the Yahoo Movies website have a considerable impact on box office sales. However, not all online retailers allow customers to leave evaluations on their sites. Three product categories, for example: MP3 players, PDAs, and video games. They compiled a list of 68 online retailers from my Simon. com's referral list on June 18, 2003, and discovered that 46 of the 68 online sellers did not provide consumer feedback. Consumer reviews on the internet are a new source of product information that is gaining in popularity and value. Practitioners and popular presses have given it a lot of attention[1]. When it comes to consumer review data, sellers must make a number of critical strategic considerations.

When consumer evaluations exist, for example, should a seller's communication strategy be adjusted to best respond to such a consumer-created information channel, and how? What are the benefits to the seller of supporting the generation and dissemination of such user-based review material by allowing customers to leave comments on the vendor's own website (e.g., Amazon.com)? More academic research is urgently needed to better understand the underlying significance of this new information channel in the marketplace and its strategic implications for online marketers. Several recent research have begun to look into the information reliability of online consumer-created information. Because information credibility is frequently positively related to the reliability of the information source, consumer-created information is likely to be more credible than seller-created information.

The relationship between online customer feedback and the reputation of an unknown supplier. The believability of advertising messages in online chat rooms, as well as the impact of such new information channels on the profitability of vendors. Furthermore, according to several recent studies, consumer-created data permits the seller to employ some marketing methods that would otherwise be untrustworthy (e.g., probabilistic selling, service cancellation). These researches have improved our comprehension of consumer-generated data. The degree of relevancy of consumer evaluations is an important but underappreciated component of consumer reviews[2]. We suggest that online consumer reviews can be used as a new ingredient in the marketing communications mix, acting as free "sales assistants" for online sellers, assisting customers in finding products that best suit their needs.

We first give an empirical analysis to show how this developing information source differs from other types of product information, such as third-party product reviews, in order to analyze such a matching function of online customer reviews. We then create a normative model to answer numerous particular issues about a company's strategic decisions in relation to customer feedback. Unlike third-party product reviews, which focus on a product's performance based on its technical specifications, our research reveals that user reviews focus on a product's ability to match the consumers' personal usage conditions. Several key insights emerge from our strategic study. First, we explain how the two types of data—consumer reviews and seller-created product attribute data—can work together or separately.

When the review information is sufficiently informative, there is such interaction. The features of the product and market define the direction of interaction (complementary or substitutive). The two types of product information are complementary when the product cost is cheap and/or there are enough expert (more sophisticated) users. When consumer reviews become available, the seller should enhance the amount of its own product characteristic information presented to

potential consumers. The two types of product information are alternatives when the product cost is high and there are enough naïve (less sophisticated) product users. When consumer reviews become accessible, the vendor should reduce the amount of product characteristic information available.

Furthermore, we show that if a seller can predict the availability of consumer evaluations, it can use a proactive technique to change its marketing strategies even before the reviews are published. Second, depending on the product/market conditions, allowing customers to publish user-based product reviews on the seller's website might enhance or decrease earnings. We show that providing consumer reviews is harmful to a seller unless the information is sufficiently helpful. We also discovered that providing online consumer feedback is more useful to the vendor when there are a significant number of inexperienced buyers (e.g., for technology-intensive products). Finally, our findings show that, even though the seller can choose when to publish user evaluations at the individual product level, it may not necessarily be best to do so at the very beginning of a new product launch, even if such reviews are accessible[3].

1.1 A New Element in the Marketing Communications Mix:

As consumer-created information, online consumer review is likely to be more relevant to consumers than seller-created information. Seller-created product information is more likely to be product oriented, because it often describes product attributes in terms of technical specifications and measures product performance by technical standards. In contrast, the consumer-created product information is, by definition, user oriented. It often describes product attributes in terms of usage situations and measures product performance from a user's perspective. Consumers have different information-processing capabilities in inferring benefits from product attribute information due to different levels of expertise. For this reason, seller-created product information may be more useful to more sophisticated consumers (i.e., experts). Consumer-created product information, however, can help less-sophisticated consumers (i.e., novices) in finding their best-matched products. As a result, consumer reviews can be deployed as a new element in the marketing communications mix and can work as an online seller's free "sales assistants" help consumers to identify products that best match their needs[4].

1.2 Traditional (Offline) Word-of-Mouth vs. Online Consumer Reviews:

User-generated product information, such as online consumer reviews, might be considered a unique type of WOM). Unlike conventional word-of-mouth, which is often limited to a local social network, the influence of online consumer reviews can extend well beyond the local community, as consumers from all over the world can access a review over the Internet. Furthermore, traditional WOM is not a direct decision variable for the seller in most cases. However, thanks to recent technological advancements, a seller can now successfully launch and promote consumer online evaluations via its own website[5]. A vendor can also obtain consumer reviews from third parties (such as Epinions.com) and determine when to make them available on its website (e.g., c-source.com). Given the pervasive influence of consumer reviews, this article examines how businesses should adapt their marketing communication strategies to address this new source of WOM data. Our study adds to the body of knowledge on word-of-mouth marketing by looking at a new and potentially effective option for a seller to assist customers in creating and disseminating their own personal opinions about the seller's items. We examine the advantages and disadvantages of encouraging or discouraging this type of WOM information, as well as how companies decide when and how to publish user feedback[6].

1.3 Online Consumer Reviews vs. Product Reviews by Third Parties:

Third-party product reviews are another source of information closely tied to online customer reviews (e.g., CNET.com, caranddriver.com, PC Magazine, PC World). Product information is mainly based on lab tests or expert evaluations in third-party product reviews. Because such information is easier to define and evaluate, third-party product reviews tend to focus on product attribute information (e.g., performance, features, and reliability). As a result, third-party review ratings are likely to be linked to these attributes' performance. Online consumer reviews, unlike third-party reviews, are written by users based on their own personal experiences, which are influenced by their taste preferences and usage scenarios[7]. As a result, customer reviews are more likely to focus on whether or not a product suits a certain person's preferences and usage conditions[8].

1.3 Buyers and Sellers:

A monopoly seller with a multiattribute product is considered. Let c stand for the product's marginal cost. Consumer heterogeneity is allowed on two levels: preference and competence. First, we give customers the option of expressing their preferences for the seller's product. Some consumers will find that a product meets their preferences better than others for a specific product. Consider a product with two characteristics, a1 and a2. There is an equal likelihood that a particular attribute will match a consumer's desire, which is known to both the supplier and the buyer. The two attributes have separate consumer preferences. A video game, for example, frequently contains two fundamental characteristics:

- genre, which defines the game's nature (e.g., role-playing game or strategy game); and

- storyline difficulty, which indicates how challenging the game is for the players.

The term "independence of preference" refers to the fact that a consumer's choice for a game's kind is not always tied to her desire for the game's difficulty (i.e., a role-playing game lover may prefer difficult or easy games)[9].

Online consumer product reviews, which Chen et al defined as a new type of word-of-mouth information, are an emerging market phenomena that is playing an increasingly crucial part in customers' buying decisions. This paper argues that online consumer reviews, a type of product details user - generated depending on individual customer experiences, can end up serving as a new element in the marketing communications mix, acting as free "sales assistants" to assist consumers in identifying products that best suit their unique usage conditions. This study proposes a normative methodology to solve a number of critical strategic concerns about customer evaluations. First, we explain when and how a seller's marketing communication plan should be adjusted in response to customer feedback.

Our findings show that if review information is sufficiently useful, the two types of product details, namely seller-created product attribute data and purchaser review information, will interact. When the product cost is low and/or there are enough expert (more sophisticated) users, for example, the two types of information are complementary, and the purchaser's best response is to raise the amount of product attribute message provided via marketing communications after the reviews are available. When the product cost is high and there are a large number of rookie (less sophisticated) product users, the two types of information are substitutes, and the seller's best reaction is to minimize the quantity of product attribute information it provides, even if it is free.

We also determine the specific conditions under which the seller might maximize profit by adopting a proactive strategy, i.e., modifying marketing methods even before consumer reviews are published. Second, we identify product/market scenarios in which the seller gains from supporting buyer-created information (for example, by allowing customers to write user-based product reviews on the seller's website). Finally, we show how the timing of the introduction of consumer reviews as a strategic variable is important, and how postponing the availability of consumer reviews for a given product can be helpful if the number of expert (more sophisticated) product users is big and the product cost is low. Word-of-mouth; product review information; marketing communications; social interactions are some of the key words used in this study. Jagmohan S. Raju, marketing, accepted the proposal; it was received on June 21, 2005. The authors worked on this manuscript for 11 1 2 months and through two revisions[10].

DISCUSSION

Recent advancements in information technology have substantially increased the information capacity of internet sellers. In this study, we look at a new research area: online consumer reviews and how they affect a company's marketing strategies.

We look at the marketing function of consumer reviews and three information decisions that an online seller must make:

- the best marketing communication response to consumer reviews,

- the decision to actively facilitate the creation and dissemination of consumer reviews using its website as a medium, and

- The best timing for supplying consumer reviews.

Consumer reviews, as opposed to seller-created attribute information, are more user-oriented and have an advantage in assisting consumers in finding products that match their interests. If only seller-created product attribute information is available, unsophisticated consumers (i.e., novices) will be less likely to acquire the seller's product. This sales assistant, on the other hand, is not free. The seller creates a new information channel for consumers by allowing customers to publish their own product reviews, removing the seller's power to control the flow of product information (e.g., providing full vs. partial information to consumers).

We offer four major strategic implications for online retailers' consumer review decisions: Consumer reviews, being an independent source of product knowledge, may serve a different marketing purpose than third-party product reviews. The seller must design a one-of-a-kind strategic reaction to customer feedback. This study offers some recommendations for such a strategic response. For different sorts of products, the seller's best response to customer feedback may change. In response to consumer reviews, the seller would increase product attribute information for low-cost products while decreasing it for high-cost products. For "exciting" products (e.g., vanity products, original products) or products targeted to "talkative" segments (e.g., college students), the seller can use a proactive response strategy, in which the seller adjusts its marketing strategies.

CONCLUSION

For a seller, the timing of the introduction of consumer review information might be a critical strategic component. Delaying the availability of customer evaluations for a certain product when a seller has the flexibility to select such scheduling at the individual product level can be useful if the size of the expert sector is relatively large and the product cost is modest. Although

this study adds to our knowledge of online consumer reviews and their consequences for business marketing tactics, many other intriguing aspects remain unresolved and need to be investigated further. First and foremost, our empirical research is in its early stages. It's a first step toward understanding the difference between consumer evaluations and third-party expert reviews experimentally.

Future research may need to combine archive statistical data analysis, qualitative ethnographic investigation, and maybe experimental testing to provide more in-depth insights into this topic. Second, we investigate a monopoly model with an emphasis on the online consumer review matching function. Other purposes of online consumer reviews could be studied in the future, as well as the implications for corporate rivalry. Third, while the fundamental trade-offs discussed in our model apply to both direct-selling manufacturers and distributors, it will be fascinating to see how the decision to provide consumer reviews and the optimum response to consumer reviews differs across different types of sellers (e.g., manufacturers versus retailers). Fourth, future research might look at customer review intermediaries like Epinons.com from the standpoint of their best marketing methods. Finally, it's worth noting that the seller might provide its own product-matching information that resembles customer reviews.

When compared to user evaluations, seller-created product-matching information is more expensive because the seller must pay for the creation and dissemination of the information. With increasing product-matching complexity, such a cost disadvantage is projected to grow. Because consumer evaluations are "produced by users for users," increasing the degree of matching complexity implies that the review material will naturally comprise more conceivable usage scenarios (see, for example, the digital camera instances addressed in 2). Empirically investigating firms' consumer review supply decisions and assessing the impact of consumer reviews on a firm's marketing strategy will be an essential area of future research. Future empirical investigations can employ the matching complexity between product attribute space and customer usage condition space as a proxy variable for review in formativeness when testing our model conclusions.

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