

# Customers or Sellers? The Role of Persuasion Knowledge in Customer Referral

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## EXTENDED ABSTRACT

Word of mouth and customer referral have become veritable buzzwords in the world of business, as illustrated by popular management books on these topics (e.g., Godin 2000, Rosen 2000, Silverman 2001). "Word of mouth promotion has become an increasingly potent force, capable of catapulting products from obscurity into runaway commercial success" (Dye, 2000, p.139). Increasingly, marketers attempt to stimulate and accelerate word of mouth, a practice known as buzz marketing (Rosen, 2000). Academics have long recognized the importance of word of mouth (e.g., Katz and Lazarsfeld, 1955, Dichter, 1966, Herr, Kardes & Kim, 1991, Duhan et al., 1997, Gilly et al., 1998), and several recent papers address the issue of referral management (Buttle 1998, Biyalogorsky, Gerstner and Libai 2001). There is, however, little research into the effectiveness of referral management strategies at the consumer level (see Verlegh, Peters and Pruyn, 2003 for an exception).

The present study attempts to fill this gap, investigating whether marketers' use of financial incentives to stimulate customer referral triggers a "change of meaning", so that consumers perceive the referral as a persuasion attempt in stead of friendly peer-to-peer advice (cf., Friestad and Wright 1994). This change of meaning is likely to diminish the impact of the word of mouth. Whether or not this change of meaning occurs, depends on various factors. Campbell and Kirmani (2000) propose that consumers use of persuasion knowledge is determined by the accessibility of ulterior motives, such as the motive to persuade or make a profit. Accessibility of ulterior motives increases when consumers are faced with a situation, person or tactic that is strongly associated with persuasion. In the present study, we examine accessibility of ulterior motives as a function of the source and content of word-of-mouth. We extend earlier work by looking at the impact of "buzz marketing" tactics which are used to stimulate referral.

We conducted two experiments. The first investigated how the accessibility of ulterior motives is affected by the source and content of word-of-mouth. We hypothesize that accessibility of ulterior motives is higher for salespersons than for friends, and that consumers' evaluations of the source become less favorable when ulterior motives are inferred (cf., Campbell and Kirmani, 2000). We also examine whether ulterior motives are more accessible when the persuader's behavior is congruent with the persuader's self-interest (i.e., maximizing profit) rather than the consumer's interests (cf., Vonk 1998).

For experiment one, 106 student participants filled out a questionnaire containing a brief scenario about the purchase of a second hand car, in which they were advised by a second person. Source and content of the advice were constructed according to 3 x 2 design. Source was manipulated at three levels, i.e., non-commercial (knowledgeable friend), commercial (salesperson at the car store), and ambiguous (friend with a weekend-job at this store). The source recommended either the least or the most expensive alternative. Participants listed the thoughts evoked by the scenario, and rated the source's likeability and the extent to which the source was perceived to act out of self-interest on multi-item scales.

We found that perceived self-interest varied between sources. The commercial source (salesperson) was rated highest on self-

interest, and the non-commercial source (friend) was rated lowest. The commercial source also evoked the largest proportion of thoughts related to self-interest, and rated lowest on likeability. We found a significant interaction between source and advice for source likeability and for self-interest: for commercial and ambiguous sources, we find that perceptions of self-interest are highest when they advise to buy the most expensive car. As expected, the results for liking display a reversed pattern. It is noteworthy that the effects are largest for the ambiguous source. Apparently, consumers rely more heavily on the perceived behavior when their perceptions of the source are ambiguous. Perceptions of the noncommercial source (friend) are not affected by the nature of his advice.

Marketers often use financial or other incentives to stimulate word of mouth (cf., Godin 2000). In experiment two, we examine how this affects the accessibility of ulterior motives. We examine source evaluations and perceived ulterior motives for noncommercial sources that have strong and weak ties with a consumer. We expect that strong tie sources are perceived as more sincere, and less driven by ulterior motives. In experiment two, 243 consumers filled out a questionnaire containing a brief scenario about word of mouth on providers of mobile telephone services. The sample was composed of friends and families of student assistants, and consisted of 49 % females, with ages varying between 18 and 67 (median=30). A 3 x 2 design was used to construct the scenarios: Three levels of accessibility of ulterior motives were created by altering the behavior of the referring consumer. Tie strength was varied at two levels (friend vs. stranger). We collected valenced thought listings, and measures of trial intent for the provider, perceived sincerity of the source, and the extent to which the source was perceived to have ulterior motives.

We find significant effects of tie strength and accessibility of ulterior motives. The perceived strength of source's ulterior motives decreases with social tie strength, and increases with the accessibility of ulterior motives. Inversely, perceived sincerity of the source increases with tie strength, and decreases with the accessibility of ulterior motives. We also find an interaction of tie strength and accessibility of ulterior motives: an increase in tie strength reduces the impact of accessibility of ulterior motives on consumers' perceptions of the source and their responses to the referral.

Experiment one showed that the accessibility of ulterior motives is affected jointly by the source and content of referral. Experiment two showed that increased accessibility of ulterior motives decreases the impact of word-of-mouth recommendations, and has a negative impact on the perceived sincerity of the recommending peer. These effects are moderated by the strength of the social ties between source and receiver of word of mouth. These experiments illustrate the importance of persuasion knowledge in word-of-mouth, but more research is needed to better understand cognitive and affective processes involved (cf., Hamilton 2003).

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