The Multiple Source Effect of Online Consumer Reviews on Brand Evaluations: Test of the Risk Diversification Hypothesis

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This research examines the multiple source effect of online consumer reviews (OCRs) on brand evaluations. In a test of the risk diversification hypothesis, the authors postulate that OCRs can enhance brand evaluations because exposure to multiple sources of OCRs not only prompts more effortful processing of different reviews, but also diversifies online purchase risks. The findings demonstrate that brand evaluations become more favorable when multiple review sources with dissimilar backgrounds provide OCRs, and further this persuasive advantage accentuates when a consumer purchases a lesser-known brand.

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EXTENDED ABSTRACT

Consumers are often exposed to persuasion attempts by multiple message sources. Advertisers, for example, provide an army of product endorsers to consumers in advertising containing multiple testimonials in favor of a product. With the proliferation of information on the Internet, the persuasive advantage of multiple message sources draws much attention from academics and practitioners because subjective experiences, evaluations, and opinions of a multitude of consumers can reach far beyond the local community to affect other consumers around the world (Dellarocas 2003; Mayzlin 2006).

Particularly, online consumer reviews (OCRs)--defined as any positive or negative statements made by potential, actual, or former customers about their experiences, evaluations, and opinions on products and services--are considered a major informational source for consumer judgments and a critical decision variable for online merchants (Chatterjee 2001). Recent studies demonstrate that the online reviews have a significant impact on sales of online merchants (Chevalier and Mayzlin 2006; Reinstein and Snyder 2005; Mayzlin 2006). Consistent with these findings, online merchants such as amazon.com, barnesandnoble.com, and circuitcity.com encourage their customers to post and read product reviews.

Although the multiple source effect of OCRs is not directly addressed, a spate of research has demonstrated that the use of multiple sources in persuasive communication is one of the most powerful strategies for increasing message advocacy (Moore and Reardon 1987; Calder, Insko, and Yandell 1974; Harkins and Petty 1981a, 1981b, 1987). One popular explanation for these observations has been that exposure to multiple message sources gives rise to greater conformity pressure as a result of normative influence (Krech, Crutchfield, and Ballachey 1962), or social majority impact (Latané 1981). In contrast to this view, Harkins and Petty (1981a, 1981b, 1987) demonstrate that greater message elaboration prompted by different arguments from divergent and independent message sources contributes to enhanced persuasion. Simply put, this message elaboration hypothesis suggests that a message recipient engages in more effortful scrutiny of information each time a new message source provides a different argument whereas the recipient puts less effort into processing an argument if it comes from the same message source already encountered.

A series of Harkins and Petty’s studies has laid a strong theoretical foundation for understanding the underlying mechanism of the multiple source effect of OCRs on brand evaluations. This research argues, however, that the message elaboration account alone may not provide a sufficient explanation for the multiple source effect of OCRs because unlike in most message persuasion contexts consumers are often faced with significant purchase-related risks such as product performance uncertainty or privacy and security risks in transacting with online merchants (Friedman, Kahn, and Howe 2000). In this circumstance, WOM referrals like OCRs are perceived as one of the most effective information sources for reducing perceived risks (Murray 1991). The perceived diversity of review sources of OCRs may contribute to reduce perceived risks through the process of risk diversification. In many situations, consumers utilize diversification processes in order to reduce monetary and non-monetary risks. Sensible investors, for example, diversify their investment portfolio into a number of investment options in their expectation that profitable options will at least compensate for possible losses sustained from options that are not profitable (Bodie and Merton 1999). Consumers also seek a variety of product assortments to hedge their future preference uncertainties (Kahn 1995; Simonson 1990). Similarly, we postulate that consumers are likely to search for multiple arguments from more divergent sources of OCRs in order to construct a representative information portfolio that reduces their online purchase risks. In the current research, two experiments are conducted to test this risk diversification hypothesis.

Experiment 1 found that a more diverse pool of review sources and a larger number of positive OCRs enhanced brand evaluations because participants engaged in more message elaboration (Harkins and Petty 1981a, 1981b, 1987). Furthermore, the findings provided some intriguing evidence that such persuasive advantage might also have emerged because more diverse review sources were capable of reducing participants’ online purchase risks, which was also true in the presence of the greater number of positive reviews. Experiment 1 thus raised a possibility that the multiple source effect of OCRs could enhance participants’ brand evaluations not only through greater message elaboration but also through the process of risk diversification.

Experiment 2 supported our risk diversification view that greater perceived diversity of review sources contributed to enhanced brand evaluations under high risk contexts. Considering that exposure to OCRs in the low brand reputation condition prompted more effortful processing of reviews regardless of the review structure than the high brand reputation counterpart, the data provided strong support for the risk diversification hypothesis that more divergent review sources enhanced brand evaluations by reducing significant online purchase risks than a less diverse set of review sources. When no significant perceived risks were involved, however, increasing the number of OCRs contributed to brand evaluations as much as increasing the diversity of review sources of OCRs.

Contributions made from the present research are twofold. First, we have successfully replicated Harkins and Petty’s (1981a, 1981b, 1987) message elaboration hypothesis on the multiple source effect within the context of OCRs. With the risk diversification hypothesis, we have further identified the perceived diversity of review sources as another important factor that determines the persuasive advantage of OCRs. In order for OCRs to have the alleged impact on brand evaluations, message elaboration and risk diversification processes must operate simultaneously, particularly when significant purchase-related risks are involved. Second, the current research is also of managerial significance to online merchants that are considering OCRs a strategic marketing tool. Prior research has shown that online merchants strive to increase the total number of OCRs in favor of products they sell or their website (Chevalier and Mayzlin 2006). This research implies, however, that it is also of equal importance that online merchants make their online reviews available from more diverse OCRs from multiple sources with dissimilar backgrounds.

References


