The literature on consumers’ relationships with their brands emphasizes that, when people form relationships with brands that mirror their social relationships, the norms of social relationships are used as guiding principles in their interactions with brands. Recent experimental research has shown that the types of relationship norms present during an exchange can moderate the degree of loss aversion that consumers experience. Building on this research, I use an experimental approach to investigate the impact of social networks on loss aversion, and how purchase behavior embedded in a network setting (for example, group shopping or an at-home party), impacts the degree of loss aversion felt by a consumer. Results show that respondents in the socially embedded exchange condition have a higher degree of loss aversion, as demonstrated by the gap between their selling prices (willingness to accept) and buying prices (willingness to pay). With this research, I hope to build a stronger bridge between social network literature and decision making theory.

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Second, we measured both positive and negative word-of-mouth behavior using items developed by Brown et al. (2005). For both positive word-of-mouth (PWOM) and negative word-of-mouth (NWOM) we used two items each on a seven point scale with endpoints of strongly disagree and strongly agree. The two PWOM items were strongly correlated \((r = .93)\) and internally consistent \((\alpha = .96)\) thus we used these two items to form a single item measure of PWOM (e.g., I spoke positively of the company to others). The two NWOM items were strongly correlated \((r = .82)\) and internally consistent \((\alpha = .89)\) (e.g., I said negative things about the company to other people). Hence, we used these two items to form a single item measure of NWOM.

Noting the mean evaluations regarding service provided related versus unrelated conversations, results show that consumers react more joyfully \((m = 3.2)\) when they engage in service provider-unrelated conversations than when they converse about the service provider \((m = 2.6)\) but the level of anger between the two groups are almost the same \((m = 2.5 vs. 2.4)\). We attribute these findings to the nature of conversations themselves. For example, consumers who find opportunities to talk about something of their own interests are likely to be happier than when they talk about anything else. But negative aspects of these conversations do not have to be different depending whether a conversation is about their own interests or not.

PWOM \((m = 3.8 vs. 3.4)\) are higher among those who conversed something unrelated to the service provider. However, NWOM is higher among those who talked about the service provider \((m = 3.5 vs. 2.5)\). These results are surprising and may have strong implications for consumer behavior in services marketing. We turned to correlation analysis for an alternative perspective.

Correlationwise, in terms of service provider related conversations, Joy and PWOM \((.655**)\) have significant positive relationships and Anger and NWOM \((.627**)\) have significant positive relationships (supports proposition). As these results indicate, when consumers talk about the company and become happy, they go and tell good things about the company. Similarly, when they talk about the company and become angry, they go and tell bad things about the company.

Interestingly, in terms of service provider unrelated conversations, relationship between Joy and PWOM \((.246)\) are not significant (supports proposition). Hence, when consumers talk about something of their own interests and become happy, they do not go and tell good things about the company. However, relationship between Anger and NWOM \((.332*)\) is significant (rejects proposition). As this indicates, most interestingly, even when the conversations with strangers had nothing to do with the service provider, consumers tend to go and tell other people bad things about the service provider.

In sum, an effort previously not undertaken, we examine customer to customer conversations in services in terms of service provider related versus unrelated conversations. Then we examine positive and negative affective reactions to these conversations and their relationships with positive and negative word of mouth behavior. Contrary to our expectation, when the conversations with strangers had nothing to do with the service provider, consumers tend to go and tell other people bad things about the service provider. Implications of these findings, limitations and future research avenues are to be discussed in the completed paper.

References

The Moderating Role of Social Networks in Loss Aversion: Testing How Consumption in Network Subcultures Can Strengthen Consumer-Brand Relationships
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The literature on consumers’ relationships with their brands emphasizes that, when people form relationships with brands that mirror their social relationships, the norms of social relationships are used as guiding principles in their interactions with brands. Recent experimental research has shown that the types of relationship norms present during an exchange can moderate the degree of loss aversion that consumers experience. Building on this research, I use an experimental approach to investigate the impact of social networks on loss aversion, and how purchase behavior embedded in a network setting (for example, group shopping or an at-home party), impacts the degree of loss aversion felt by a consumer. Results show that respondents in the socially embedded exchange condition have a higher degree of loss aversion, as demonstrated by the gap between their selling prices (willingness to accept) and buying prices (willingness to pay). With this research, I hope to build a stronger bridge between social network literature and decision making theory.