The Impact of Negative Online Reviews: When Does Reviewer Similarity Make a Difference?

Ali Faraji-Rad, BI Norwegian School of Management, Norway
Radu-Mihai Dimitriu, BI Norwegian School of Management, Norway

We propose that online reviews are not necessarily anonymous and consumers make inferences based on reviewers’ online profiles. We find that negative reviews are more harmful when consumers infer the reviewer to be homophilous to them, but this effect only occurs for experiential (hedonic) and not for functional (utilitarian) consumption.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/15965/volumes/v38/NA-38

[copyright notice]:
This work is copyrighted by The Association for Consumer Research. For permission to copy or use this work in whole or in part, please contact the Copyright Clearance Center at http://www.copyright.com/.
Advances in Consumer Research (Volume 38) / 741
(McKnight, Cummings, and Chervany 1998). Applying this domain-specific approach to the current setting, we predict that consumers’ trusting beliefs pertaining to a seller’s integrity will be more negatively biased than their trusting beliefs pertaining to a seller’s competence.

We conducted two studies to test our hypothesis in a typical e-commerce setting involving word-of-mouth. Study 1 presented 36 undergraduate participants with aggregated profile ‘ratings’ regarding different characteristics of online sellers. The study utilized a 2 (profile dimension: competence, integrity) × 2 (store rating manipulation: treatment, control) within-subject design. Participants were told that they were shopping for a camera and asked to read profiles summarizing consumer reviews of four different online stores. Each store’s profile was composed of two sections, one related to competence and the other related to integrity; each section listed three relevant items along with an average rating for each item. All ratings were presented using a 5-point “smiley face” scale ranging from “very negative” to “very positive”. The ratings for treatment stores’ first profile section were (0, -2, 2) or (0, 2, -2), while those for control stores were all neutral; ratings in the second profile section were identical between treatment and control stores. Participants were asked their competence and integrity beliefs after the first profile section, and their overall trust and purchasing intention after the whole profile of a store. As predicted, results indicated that negativity bias implied by a lower evaluation of the treatment stores was not universal, but rather depended on the category of seller behavior involved. Participants in the integrity condition were negatively biased in their trusting beliefs, overall trust and purchasing intention; however, none of these biases were significant for participants in the competence condition.

Study 2 extended our investigation from simple, numeric seller ratings to the more elaborate domain of written reviews. The study involved a mixed design in which participants were asked to read five consumer reviews about a particular online store before deciding whether to buy a camera from that store. The first three ‘baseline reviews’ were the same for all participants and had been pretested to be neutral in their implications regarding the sellers’ competence and integrity. Next, participants read two additional ‘treatment’ reviews pertaining to either competence or integrity, depending on condition. The two treatment reviews were pretested to be opposite in valence and similar in extremity. In order to capture belief changes, participants were asked to report their trusting beliefs and overall trust before and after reading the two treatment reviews. Analysis of belief changes revealed that as predicted, both groups exhibited significant negativity bias, but the extent of bias was dramatically greater for the integrity condition. Furthermore, analysis of overall trust revealed a negativity bias for participants in the integrity condition, but no significant bias for the competence condition.

This research contributes to literature on trust formation and e-commerce in several ways. Theoretically, we break new ground by identifying the existence of negativity biases in the formation of trusting beliefs and intentions and by exploring whether “bad is always stronger” in B2C commerce. Our studies indicate that although negativity bias does impact trust formation in this setting, it is much more prevalent for information regarding sellers’ integrity than for information regarding their competence. Our results also have practical implications for retailers seeking to establish trust among potential customers: e.g., negative word-of-mouth regarding integrity is particularly difficult to overcome, and should be handled proactively.

Selected References

The Impact of Negative Online Reviews: When Does Reviewer Similarity Make a Difference?
Ali Faraji-Rad, BI Norwegian School of Management, Norway
Radu-Mihai Dimitriu, BI Norwegian School of Management, Norway

Extended Abstract
The advent of the internet has brought major changes to the way consumers search for information and express their opinions about products or services. Message boards, blogs, user review websites, etc. have become increasingly important for today’s online consumers to exchange opinions and experiences related to both companies and their offerings. Although online reviews have been mainly perceived to be anonymous, recent improvements in the design of websites have enabled individuals to have different degrees of profile disclosure (picture, name, age, gender, short biography) which, contrary to the general assumption in the word of mouth literature, introduces cues on which consumers can rely and base their judgments on. We conduct a study to investigate whether the perceived homophily between the reader and the reviewer has any impact on the influence of the word of mouth message. Homophily is defined as “the degree to which pairs of individuals who interact are similar with respect to attributes, such as beliefs, values, education, social status, age, gender, lifestyle, etc” (Rogers & Bhowmik, 1970). We also seek to qualify this effect by focusing on the different nature
of hedonic and utilitarian consumption (Adaval, 2001; Batra & Ahtola, 1991). Because utility maximization is considered to be more tangible and objective, consumers should be just as willing to rely on other consumers’ evaluations whether that consumer is similar to them or not. In contrast, the evaluation of hedonic products is linked to expectations which could be subject to individual lifestyle. Therefore, we hypothesize that higher (vs. lower) homophily influences the effect of negative product reviews on product evaluation for hedonic products, but not for utilitarian ones.

The hotel industry was chosen as the context of the study. One hundred and eleven bachelor students participated in a 2 (Hedonic vs. Utilitarian) X 2 (Homophilous vs. Non-homophilous) between-subjects experiment in class. The dependent variable was participants’ evaluation of the hotel.

After an introductory first page, participants read a scenario which was designed to manipulate the hedonic or utilitarian consumption situations. In the utilitarian case, participants were asked to imagine themselves trying to book a hotel for a stay in Frankfurt with a colleague. In the hedonic scenario, they were asked to imagine themselves going to Paris with their partner and choosing a hotel which would ensure their enjoyment. Participants were then presented with two online reviews about the hotel. Each review included a profile, a comment (one-two lines explaining how the reviewer saw the hotel), and a rating (a star ranking of the hotel given by the reviewer on a seven star system). The first review and its corresponding profile were kept constant for all the groups and was a neutral review (rating of 5 out of 7) coming from a journalist. Negative word of mouth and homophily were manipulated through the second review and its corresponding profile. The negative comment (rating of 2 out of 7) was kept constant for all the groups. For the homophilous group, the reviewer was a business student and in the non-homophilous group the reviewer was a researcher for “a major chemical company”. Next, eleven items measured the product evaluation, manipulation checks and two covariates. Two questions were asked to measure the participants’ product evaluation (good choice; favorable attitude). Homophily manipulations were checked using a three item scale. Two items measured the extent to which participants perceived the hotel to be hedonic (fun; enjoyable and exciting) and two items the extent to which they perceived it to be functional (cover functional needs; practical considerations). The two covariates were the perceived degree of expertise of the reviewer and importance of the decision of choosing the hotel. Manipulation checks and covariate question were presented last in order.

An analysis of the data revealed that the manipulations worked as intended. For testing the hypothesis we first ran an ANOVA test with hotel evaluation as a dependent variable and “homophily” and “product type” as independent factors, and using the two covariates mentioned earlier. The expertise covariate had a significant effect on the dependent variable ($F(1,105)=3.93, p=.05$), whereas the choice importance did not ($p>.7$). The ANCOVA model suggested that the main effect of “homophily” failed to reach significance (3.86 vs. 4.19, $F(1,105)=2.74, p>.1$). Meanwhile, the main effect of “product type” was significant, with the evaluation of the hedonic product being significantly lower than the one for of utilitarian one (3.81 vs. 4.23, $F(1,105)=4.26, p<.05$). Supporting the hypothesis, the interaction was significant ($F(1,105)=4.49, p<.04$). Planned contrasts analyses revealed that the effect of “homophily” was not significant when the hotel was perceived to be utilitarian (4.28 vs. 4.19, $F(1,105)=.13, p>.7$). However, when the hotel was perceived to be hedonic, the hotel evaluation was significantly lower when the reviewer was “homophilous” rather than not (3.44 vs. 4.19, $F(1,105)=7.26, p<.01$). Also, a similar analysis revealed the same results, not including the covariates.

Therefore, consistent with the hypothesis, homophily increases the influence of negative product reviews only in case of hedonic products.

From a theoretical perspective, this study sheds light on how the cues consumers use in the face-to-face environments map into online environments. To our knowledge, this is also the first research that qualifies the influence of homophily in the word of mouth literature.

From a managerial perspective, the study provides insights into how reviews on websites can influence consumers’ product evaluations. It shows that negative word of mouth is riskier for experiential (hedonic) products and that this risk is higher when it comes from similar consumers providing reviews. In terms of segmentation, managers should be encouraged to pay more attention to consumer complaints about experiential products, especially when they are coming from company’s target or core customers. Such customers are more likely to form a unitary and similar group. This will prevent target customers from engaging in word of mouth that is most harmful for the company.

Selected References

Best-Seller or Your-Style Recommendation Sign?:
Effect of Self-Construal on Inclination Towards Inter- vs. Intrapersonal Norm
Jae-Eun Namkoong, University of Texas at Austin, USA
Susan Broniarczyk, University of Texas at Austin, USA

Extended Abstract
Modern consumers are often loaded with options. Despite the initial pleasure one might feel when provided with many goods to choose from, it is very likely that s/he will feel frustrated by how difficult a choice is to make (Iyengar & Lepper, 2000; Schwartz, 2005). Product recommendations are intended to aid consumers with their decision making process and to promote sales by highlighting a