Disclosure in Word-Of-Mouth Marketing: the Role of Prior Agent Experience

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Research on marketer-incented word-of-mouth finds that disclosing an agent-brand relationship makes recommendations more effective. This research looks deeper into why this occurs as well as how previous experience as a word-of-mouth agent affects perceptions of the technique and its effectiveness.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/1011688/volumes/v40/NA-40

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EXTENDED ABSTRACT

Recent research on marketer-incented word-of-mouth (WOM) finds that disclosing an agent-brand relationship can make the recommendation more effective (Carl 2008; Tuk, Verlegh, Smidts, and Wigboldus 2009). Abendroth and Heyman (2012) further found that disclosure increased product attitudes and feeling informed, which mediated the effect of disclosure on purchase consideration. The present research looks deeper into why this positive effect occurs. Further, as the growing prevalence of incented WOM increases the likelihood that a WOM recipient has experience as an agent, this research also examines how past experience affects perceptions of the technique and its effectiveness.

Abendroth and Heyman (2012) argue that voluntary disclosure, which goes against relationship norms (Tuk et al. 2009), makes the agent seem more credible, in turn allowing the recipient to feel more informed. If this is true, then adding a disclaimer that disclosure is federally mandated (per the Federal Trade Commission) should eliminate the effect. An alternative explanation is that recipients feel a closer connection to the brand when the agent discloses a relationship with the brand. This should occur regardless of any legal disclaimer and is consistent with feeling more informed. An additional consideration is whether the message recipient has been an agent in another campaign, in which case their reaction to disclosure may be different. They know how receiving incentives affected the nature of their own WOM, and in turn may respond to other incented recommendations less positively.

First, a survey (N=102) was conducted to understand how current undergraduates perceive incented WOM. After explaining the difference between incented and organic WOM, 65% of respondents thought marketers use incented WOM “quite often” or “very often” on college campuses. If asked to be an agent, only 56% indicated they were likely to disclose receiving incentives, despite being informed of the FTC disclosure guidelines. Although concerning, these results are consistent with Ahuja, Michels, Walker, and Weissbuch (2007). When asked who is at fault if the relationship is not disclosed, 26% indicated the company is more at fault and 39% indicated the recommender is more at fault. Finally, looking at the impact of disclosure, 43% thought it would help and 29% thought it would hurt product attitudes, while 28% thought it would help and 24% thought it would hurt attitudes toward the recommender. The remainder expected no impact from disclosure. While 28% of those surveyed had experience as a WOM agent, this did not significantly alter their responses.

Second, an experiment (N=148) was conducted that manipulated WOM (disclosure, disclosure plus legal disclaimer, organic/no disclosure) between-subjects and measured agent status (agent, non-agent). The manipulation was embedded into a scenario about a friend recommending a winter jacket. Participants responded to several 7-point semantic differential scales that measured purchase consideration (6 items, e.g. I would consider purchasing this brand), product attitude (3 items, e.g. good/bad), agent credibility (5 items, e.g. credible/not credible), feeling informed (3 items, e.g. I feel knowledgeable) and brand connection (3 items, e.g. I can relate to this brand). All cronbach’s alphas were greater than 0.88. Lastly, they were asked whether “a company had previously given (them) products, cash, or other incentives to talk about their products with other people,” to which 26% answered yes.

An interaction between agent status and WOM type was found for purchase consideration (F(2,142) = 4.3, p<.05), product attitude (F(2,142) = 3.6, p<.05), and feeling informed (F(2,142) = 3.7, p<.05), along with a marginal interaction for brand connection (F(2,142) = 2.6, p<.08). Meanwhile, agent credibility only showed a main effect of WOM type (F(2,142) = 7.9, p<.01) with greater credibility in the organic condition versus both the disclosure (F(1,142) = 11.2, p<.01) and disclosure plus disclaimer (F(1,142) = 11.9, p<.01) conditions. Interestingly, adding a legal disclaimer to the disclosure had no effect (F<1) on the agent’s credibility.

Next we look more closely at the effect of WOM type by agent status, beginning with non-agents. Compared to organic WOM, when the agent discloses their relationship to the brand along with a legal disclaimer, purchase consideration increased (F(1,142) = 4.1, p<.05) as did feeling informed (F(1,142) = 4.9, p<.05) and feeling connected to the brand (F(1,142) = 4.0, p<.05), while attitude toward the product remained unchanged (F=0). Comparing the two disclosure conditions, adding a disclaimer made the message recipient feel more informed (F(1,142) = 4.5, p<.05) and feel marginally more connected to the brand (F(1,142) = 2.7, p<.10), but had no effect on product attitudes (F<1.1) or purchase intentions (F<1.3).

In contrast, agents had the opposite response to disclosure. Compared to organic WOM, disclosing a brand relationship decreased purchase consideration (F(1,142) = 7.3, p<.01), product attitudes (F(1,142) = 12.7, p<.01) and brand connections (F(1,142) = 4.6, p<.05), along with a marginal decrease in feeling informed (F(1,142) = 3.3, p<.07). Adding a legal disclaimer led to mean results between disclosure and no disclosure, but lacked the power necessary to find significance for all variables.

This research makes several contributions to the WOM literature. First, the survey indicates that undergraduates are aware of the prevalence of incented WOM on college campuses with over a

Table 1: Means for Experiment

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<thead>
<tr>
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<th>Non-Agent</th>
<th>Agent</th>
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<tbody>
<tr>
<td></td>
<td>Organic</td>
<td>Disclose + Disclaimer</td>
</tr>
<tr>
<td>Purchase Consideration</td>
<td>4.3</td>
<td>4.9</td>
</tr>
<tr>
<td>Attitude toward Product</td>
<td>5.7</td>
<td>5.7</td>
</tr>
<tr>
<td>Feeling Informed</td>
<td>4.5</td>
<td>5.0</td>
</tr>
<tr>
<td>Brand Connection</td>
<td>3.9</td>
<td>4.6</td>
</tr>
<tr>
<td>Agent Credibility</td>
<td>5.4</td>
<td>4.8</td>
</tr>
</tbody>
</table>
quarter of respondents in both the survey and the experiment having acted as an incented WOM agent. Second, despite knowledge of FTC disclosure guidelines, the issue of non-disclosure of the agent-brand relationship remains, and both agent and brand carry blame for this non-disclosure. Third and more interesting, most undergraduates cannot accurately predict the impact disclosure has on WOM effectiveness. Fourth, while agent status had no effect on WOM perceptions, experimental results suggest that it does impact WOM effectiveness; organic WOW was more effective for past agents, while knowledge of an agent-brand relationship was more effective for non-agents. Fifth, feeling connected to the brand is introduced as a new factor that is impacted by disclosure. Results surrounding the addition of a legal disclaimer as the reason for disclosure were less conclusive.

REFERENCES