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## **“The Review Is Sponsored By”: the Effect of Sponsorship Disclosure on Blog Loyalty**

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This study provides theoretical and practical contributions to the area of online review sponsorship. Four experimental studies expand the current attribution theory based literature by examining the impact of review balance (one vs. two sided), type of sponsorship (voluntary vs. involuntary) and disclosure strategies (internal vs. external motives).

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# “The Review is Sponsored by”: The Effect of Sponsorship Disclosure on Blog Loyalty

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## EXTENDED ABSTRACT

Consumers often consult online reviews before making a purchase decision. These reviews have become a dominant source for product-related information (Senecal and Nantel, 2004). Thus, many firms have begun to partner with online review sources, such as blogs, as a new form of marketing communication (Dellarocas, 2003).

Past literature suggests that firm sponsorship could be detrimental to blog loyalty. This is due to the notion that blogs act as an independent source of information. Therefore, when sponsoring an online review, blogs risk backlash that could damage trust and credibility (Kozinets, et al., 2010), and may lead to reduced blog loyalty. However, it is posited that hiding firm sponsorship could further damage loyalty towards the blog. Thus, it is advised that blogs disclose firm sponsorship to their readers. This is supported by past literature, which has shown the positive impact of disclosure in a variety of contexts.

Review balance is introduced as a moderator, whereby a product evaluation can either be one or two sided. A two-sided review could increase the credibility of the author, as the presentation of negative information may be seen as working against the self-interest of the sponsoring firm. A one-sided review, however, may be viewed as advertising (Schlosser, 2011), and thus, decrease blog loyalty. Next, based on attribution theory, it is posited that readers have the ability to either attribute the sponsored online review to an internal or external motive. External motives are likely to be ascribed to an outside actor (i.e. the firm), whereby internal motives may be attributed to the author's internal interests. Thus, it is expected that an intrinsic disclosure statement will enhance the positive effect of disclosure on blog loyalty, regardless of review balance. However, a one-sided review is likely to be attributed to the firm (author) when it is one (two) sided.

In four experiments, we examine the negative effect of firm sponsorship of an online review on blog loyalty. Furthermore, review balance is tested as a method by which the negative impact of sponsorship may be reduced. Next, we examined whether involuntary disclosure can further enhance the negative effect of firm sponsorship. Finally, we test whether an internal (vs. external) motivated disclosure statement can enhance (reduce) the effect of disclosure on blog loyalty. All four studies had participants examine an online review for a product.

In Study 1, 600 YouTube video blogs were examined to uncover the effect of sponsorship on blog attitude, measured by the percentage of dislikes per total likes on the video. A significant result was found ( $p < .01$ ), whereby the dislike ratio for a sponsored post ( $M = 8.87\%$ ) was high than a non-sponsored post ( $M = 3.30\%$ ).

Therefore, Study 2 was designed to test whether this result held in an experimental setting with a written online review on blog loyalty. In the sponsored condition, respondents were informed that the review was sponsored by a brand, while no information was provided in the non-sponsored condition. As predicted, it was shown that the sponsored condition significantly ( $p < .01$ ) reduced blog loyalty. In addition, a two-way interaction for sponsorship and review

balance was found ( $p < .05$ ), whereby blog loyalty suffered from sponsorship, particularly if it was one-sided review. However, this was negated with a two-sided review.

In Study 3, the role of disclosure voluntariness was examined as well as the moderating condition of review balance. In the disclosure condition, respondents were informed that a firm had sponsored the online review. In the involuntary disclosure condition, respondents were informed from a third party that the review had been sponsored. As hypothesized, voluntary disclosure had a significantly ( $p < .01$ ) positive effect on blog loyalty. Furthermore, an interaction was found ( $p < .05$ ), whereby both sides were attributed to have influenced the review in the involuntary disclosure condition, while the firm (author) was attributed in the one (two) sided condition.

Finally, in Study 4, a 2 (internal vs. external disclosure statement) x (one vs. two-sided review) experiment was examined on blog loyalty and attribution was examined. Results demonstrated that internal disclosure had a significantly positive effect on blog loyalty ( $p < .01$ ) and attribution ( $p < .01$ ), which indicated that respondents attribute the review to the author. An interaction found whereby a one-sided review was only seen as negative on blog loyalty when an external disclosure statement was given ( $p < .05$ ). However, this was reduced when a two-sided review was presented. A similar interaction was found on attribution ( $p < .05$ ). When external and one-sided, the review was attributed to the firm, compared to two-sided, when was attributed to the author. For both one and two sided, when internally motivated, there was a positive effect on blog loyalty and the review bias was attributed to the author.

Taken together, these studies contribute to existing online review literature by discovering that firm sponsorship has a negative effect on blog loyalty. In addition, this negative effect is enhanced when the sponsorship was involuntarily disclosed. When a disclosure was provided, a two-sided review was able to reduce the negative effect of firm sponsorship on blog loyalty. Furthermore, an internal disclosure statement was able to enhance blog loyalty, regardless of review balance. Thus, the findings provide practical insights for bloggers and firms when seeking sponsorship agreements.

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