CHAPTER 1

INTRODUCTION AND MOTIVATION OF THE STUDY

Internet has transformed the way we consume information today. With the development of Web 2.0 technologies internet now provides capabilities such as, easy information search, targeted delivery of information and interactive ability to both consumers and marketers. For marketers it has provided innovative ways to communicate and to reach out to potential customers. Over the years, internet has been able to achieve wide-spread coverage across the world. With technological advancements on the hardware front, consumers are now able to access internet easily from various devices such as, Mobile Phones, Computer Tablets, Laptops etc. These changes in the marketplace have given business new ways to sell and market their products. The value of global online retail sales in 2012 was more than 500 Billion US$ and has been growing at a cumulative average growth rate of 17 percent over the last five years (ATKearney, 2013). The growth rate is even more in the developing economies in Latin America (27 percent) and Asia Pacific (25 percent). Given that India is the second most populous country in the world, with more than 1.2 billion people, with much younger population, it becomes even more attractive to online retailers.

With increase in online trade and penetration of the internet, consumers are more actively accessing and sharing brand related information online. Specially for young consumers who spend proportionately more time online, internet has become a suitable platform to share their voices, and thus, a dominant channel to spread word-of-mouth (WOM) (Hung and Li, 2007). The most dominant form of WOM on internet is the product reviews by the consumers (Park and Kim, 2008). Online Consumer Reviews have become the preferred
choice of information source for consumers looking for brand related information. As indicated by Freedman (2008), over half (58%) the consumers prefer online retail websites with peer reviews and nearly all (98%) online shoppers have been reported to have read the peer reviews before making a online purchase of electronic products in the US (Decker, 2007).

Previous marketing literature also acknowledges the importance of WOM in influencing consumer decision-making by changing consumer attitudes and behavior towards products and services (Engel, Blackwell and Kegerreis, 1969; Gilly, Graham, Wolfinbarger and Yale, 1998). In general, WOM has been defined as the process of exchange of marketing information among consumers (Katz and Lazarsfeld, 1955). When such conversations take place digitally (for e.g., on internet) then these are referred to as electronic word-of-mouth (eWOM). While traditional WOM was difficult to measure, eWOM can be measured with less effort as it is mostly stored in retrieval format on the internet. The easy accessibility to this information has given both, marketing scholars and industry practitioners an opportunity to better understand WOM communication in current business environment (Godes and Mayzlin, 2009)

Although both eWOM and Advertisements act as an important source of information to consumers, eWOM is expected to have a greater influence on consumer behavior over traditional communication sources such as advertising, owing to some of its inherent characteristics. Information provided through eWOM is likely to be perceived as credible (Bickart and Schindler, 2001) as the audience perceives information from a non-vested source to be more trustworthy (Eagly, Wood and Chaiken, 1978). In consumer reviews,
consumers generally post information based on their personal product usage experience (Park and Kim, 2008). Thus, this form of eWOM is likely to be perceived as more reliable and persuasive than any other source of information, like advertising (Feick and Price, 1987; Bickart and Schindler, 2001).

Online Consumer Reviews are one of the most prominent forms of eWOM, among many others, such as, e-mails, online chat and instant messages and blogs (Schlosser, 2011). The opinions posted by consumers in the form of consumer reviews are available for a long period of time and are easily accessible for the potential buyers on the internet (Ward and Ostrom, 2002; Park, Lee and Han, 2007). Consumers share a wide range of product information online including their personal evaluation about the product performance, product features and benefits, likes and dislikes and even the messages and views presented in the advertising (Keller and Fay 2009). Thus, unlike advertising (being a marketer vested source) which mostly provides information from a positive perspective, Online Consumer Reviews generally provide both positive and negative view-points (Chatterjee, 2001).

Research on aggregate (market) level data has examined how eWOM contributes to sales, and the role of advertising in generation of eWOM. Whereas, research on individual level data has focused on the factors that motivate consumers to post online (Hennig-Thurau et al, 2004) and those which make online reviews helpful (Schlosser, 2011; Mudambi and Schuff, 2010) etc. Mudambi and Schuff (2010) have also concurred that customers find online reviews an important source of information to access other’s view on product quality, and incorporate this information in their own decision making process. Lately
marketing scholars have also started to conceive consumer Word-of-Mouth as an element of the communication mix (Feng and Papatla, 2011). The underlying supposition is based on the studies which establish that online Word-of-Mouth and advertising are complementary to each other (Chen and Xie, 2008; Graham, and Havlena, 2007; Park and Kim, 2008). For instance, in the case of online movie reviews Liu (2006) explains, “…because WOM comes from other movie goers, it may also be perceived as more trustworthy than advertising, and it may better reflect popular taste than critical reviews. As a result, although abundant information about a to-be-released movie is provided by advertising and critical reviews, WOM may still be perceived as useful and thus serve as a complement to rather than a substitute for other information sources.”

Recent studies in information processing literature have elucidated the degree of persuasiveness exerted by the message presented through single media source versus multiple sources. These studies have examined both cross-media exposure conditions and cross-tactic exposure conditions. Cross-media studies include studies comparing various media like, Television advertising versus Radio advertising, and Web advertising versus Print advertising. Similarly, cross-tactic studies include comparing various communication tactics like, publicity versus trial, and advertising versus publicity. The result of these studies indicate that the consumers are likely to be persuaded more when information is presented through multiple sources as compared to only one medium (Edell and Keller 1989; Dijkstra 2002; Chang and Thorson 2004; Havlena, Cardarelli, and De Montigny 2007; Voorveld, Neijens, and Smit, 2011). Theoretically, this supposition is based on the concept of synergy, which happens when the combined effect of multiple media activities exceeds the sum of the individual effects (Naik and Raman 2003).
Use of multiple channels to reach out maximum number of people effectively is also evident in the marketplace. Marketers actively use various communication channels to convey brand related information to customers. Further, they continuously seek to maximize the effectiveness of their budgets by exploiting the unique strengths of each medium. Understanding how consumers integrate information from multiple sources helps marketers to more efficiently use multiple communication channels. Researchers in the domain of Integrated Marketing Communications have tested how consumers integrate and respond to marketing information presented through multiple communication sources. These studies have found that the initial source influences the processing of information from the subsequent source and consumer uses various sources to reach an overall judgment. Previous studies have also looked into consumers’ integration of information from sources such as advertising, publicity, trial and word-of-mouth. However, how consumers integrate information from online reviews and advertising has not yet been undertaken. Given the importance of both online reviews and Advertisements as information sources in the existing marketing environment it is crucial to understand ‘how’ and to ‘what’ extent are consumers jointly persuaded by these sources of information.

The present literature indicates that message presented through more than one source may be more persuasive, it is still unclear what underlying psychological mechanism(s) cause such effects under different exposure conditions (Kempf and Laczniak, 2001; Voorveld and Neijens, 2012). Also, we know little about how consumers process and get influenced by traditional and new information sources collectively. Consumers are influenced not by one but many information sources in the marketplace. These sources may provide similar or different opinions about one specific brand. Thus, there is a need to study how
consumers integrate and are persuaded by such information sources when they contain similar or varied information. Further, no research till date has studied relative influence of online reviews versus advertising. It is unclear if information presented through both advertising and online reviews is more influential in comparison to information presented through single medium.

This dissertation advances previous information integration literature by examining consumer response to cross-tactic communication. We consider a special case where consumers integrate information from print advertising and online reviews. We first examine if information presented though online reviews is more persuasive than advertising. Second we examine if combined effect of information presented through Print Advertisements and Online Review is more than that of repeated Advertisement or Review alone. Third we also identify possible mechanisms which may be involved while consumers integrate different pieces of information, and their role in explaining superiority of messages accessed through multiple sources as compared to a single source. The motivation for this study comes from the ongoing enquiry as to how different communication tools should are best utilized synergistically, and the psychological processes consumer undergoes while integrating information from multiple sources.